ACCOUNTANCY

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PROFESSIONAL NOTES

Bank of England Bill

The compensation provisions of the Bank of England Bill have given general satisfaction. There was some criticism of the proposals on the ground that the price paid makes no allowance for the Bank's undoubtedly very formidable inner reserves, but as against this it is argued that any prospect of higher dividends should have been reflected in the market price of the stock, which was in fact valued on the assumption that the dividend would remain at the level of 12 per cent. paid for the last 22 years. Having regard to the trustee status of their security, the Bank stockholders are to be given sufficient Government stock to maintain their previous income, while the market price of the stock has improved from 381 on the eve of the election to 397 towards the end of October.

Controversy over the Bill has centred entirely on Section 4, which sets out the relations between the Treasury and the Bank of England, on the one hand, and the Bank of England and the commercial banks, on the other hand. Under the former head, the City approves the provision that the Treasury

is to issue directives to the Bank only after consultation with the Governor. In turn, the Bank may, "if they think it necessary in the public interest, request information from and make recommendations to bankers." Further, if so authorised by the Treasury, they may issue actual directions to secure that effect is given to such requests or recommendations. This provision has been criticised as far too sweeping in its scope. It may be said that opinion in banking circles is on the whole reconciled to accepting these very far-reaching powers, relying on the Governor of the Bank of England, even though he is to be appointed by the Government, to ensure that such powers are not abused. It is pointed out too that, since only four of the 16 directors of the Bank are to retire each year, the composition of the Court could not be altered overnight if its conception of the public interest should differ from that of the Treasury. Nevertheless, it is still felt in some quarters that powers which are to have statutory force should be very carefully and precisely defined. In particular, it is urged that the Bill should be amended to make it clear that the information the Bank may require is to be of a statistical nature only, and would not extend to particulars of the account of a single individual or firm.

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Company Law Amendment

The Government has decided to accept in full the recommendations of the Committee on Company Law Amendment, and a Bill to give effect to them will be prepared and introduced as soon as the heavy programme of legislation will permit. The President of the Board of Trade, in making this announcement in the House of Commons, expressed the indebtedness of the Government to Mr. Justice Cohen and his colleagues on the Committee. Sir Stafford hoped that companies, wherever possible, would bring their practice into line with the Committee's proposals in advance of legislation.

Incorporated Accountants' Hall

Readers will be interested to know that the Council of the Society is being advised by Mr. Percy Thomas, O.B.E., P.R.I.B.A., on the restoration of Incorporated Accountants' Hall. Mr. Thomas, accompanied by Mr. Charles Woodward, A.R.I.B.A., and Mr. G. F. H. Waghorn, Chartered Surveyor, was present at a meeting of the Council on October 25, when plans were under consideration. The Council has decided on the general policy of complete restoration of Incorporated Accountants' Hall. It is hoped that the exterior elevation may be restored to its original form with only slight modifications, while the opportunity will be taken to rearrange and improve the office accommodation inside the building. It is not possible at this stage to make any forecast of the date when the extensive work involved can be started or of how long it will take to complete.

So far it has not been possible to effect more than first-aid repairs since the considerable damage inflicted when the Hall was struck by a flying bomb in July, 1944. The administrative work of the Society is being carried on in the ground floor and the basement, and access to the offices and library is still by the emergency entrance in the south-east corner of the building.

Reorganising British Industries

The first five of the "tripartite working parties" to be established by the Board of Trade are now conducting their enquiries into the cotton, pottery, hosiery, furniture and boot and shoe industries. The functions of these working parties and the method of their appointment were outlined in a speech by the President of the Board of Trade, which was summarised in a Professional Note in our last issue. In the House of Commons on October 18 Sir Stafford Cripps stated that he had received the most cordial co-operation from both sides of the industry, and he acknowledged the public spirit of those who had agreed to act as chairmen and independent members of the working parties. This was only a beginning, and further inquiries would be set up. Sir Archibald Forbes, C.A., is Chairman of the working party for the pottery industry, and Mr. R. E. Yeabsley, C.B.E., F.C.A., F.S.A.A., is one of the independent members of that for hosiery.

Invitation to Service Members

We take this opportunity of reminding incorporated accountants who have served or are serving in H.M. Forces of the invitation extended to them to attend, as the guests of the Society, a refresher course to be held at New College, Oxford (by kind permission of the Warden and Fellows), from December 14 to 22, 1945. The complete programme, which we are able to publish on page 35 of this issue, shows the wide range of subjects to be dealt with in lectures and discussions. Time will also be available for recreation and entertainment. A principal object of the Course is to enable the President and members of the Council of the Society to meet members attending and to welcome them on their return to the profession. It is hoped that further Courses may be held during 1946 for service members who are unable to attend on this occasion.

The late Mr. Emanuel van Dien, Amsterdam

News has recently reached this country of the regretted death of Mr. Emanuel van Dien, which took place in the Netherlands in 1943. Mr. van Dien was not only one of the leaders of the accountancy profession in Holland but was distinguished by his interest in accountancy in its international aspect. His great achievement was the organisation of the International Congress of Accountants in Amsterdam in 1926, of which he was President. He was moved by the desire to promote goodwill and the highest professional standards among the bodies of accountants in different countries. Those who attended the Congress were impressed by his understanding of the many points of view represented by the various delegations and by the confidence with which he addressed the assembly successively in four or five different languages. In 1926 he received the rare distinction of being elected an Honorary Member of the Society of Incorporated Accountants. It is a tragedy that in the last years of his life the international goodwill he had done so much to promote was engulfed in the disaster of aggression which overtook Europe and especially his own country. We believe that when the economic life of Europe is re-established the work of Emanuel van Dien will be reflected in the further development and organisation of the accountancy profession on the Continent.

Powers of Government Departments

A committee set up by the Chamber of Shipping of the United Kingdom and the Liverpool Steam Ship Owners' Association has issued a report on the exercise by Ministers of the Crown and their departmental officials of legislative and judicial or quasijudicial powers on matters concerning or affecting the shipping industry. The committee recognises that modern legislation is necessarily so detailed that

Parliament must delegate some of its legislative power to the executive. The system is of great benefit to the community if it is properly used, but some safeguards are considered necessary. It is recommended that prior to the promotion of any Government Bill or the exercise of any power of delegated legislation affecting the shipping industry, the Department concerned should notify the industry and consult with representatives to be appointed for the purpose. A standing committee of the industry is also to scrutinise all relevant legislation. Legislative and discretionary powers delegated to Government Departments should always be clearly defined and limited, and the industry should oppose any clause to enable a Minister to alter the provisions of an Act of Parliament or to make a regulation whose validity cannot be challenged in the Courts. Any judicial or quasi-judicial decisions should be made by an independent tribunal and not by the Minister or any of his officials; the parties concerned should have an opportunity of stating their case; and reasons for the decision should be given. On all questions of law there should be the right of recourse to the Supreme Court. The committee emphasises the need for publicity for delegated legislation, and for clearness in its language.

Recent Tax Cases

We welcome this month the resumption of contributions by Colonel R. A. Furtado, Barrister-at-Law, who has been serving with H.M. Forces since the outbreak of war. Many readers will remember that our reports of Recent Tax Cases, inaugurated when ACCOUNTANCY succeeded The Incorporated Accountants' Journal in October, 1938, were then written by Colonel Furtado in collaboration with Mr. F. Heyworth Talbot, Barrister-at-Law. It is pleasing that Colonel Furtado has agreed to resume the series so soon after his return from active service. At the same time, we express our cordial thanks to Mr. W. B. Cowcher, O.B.E., B.Litt., Barrister-at-Law, who has maintained the series without interruption during the last six years. Mr. Cowcher's lucid reports and pungent comments have been widely appreciated.

War Damage

A second series of Practice Notes has been issued by the War Damage Commission and published by H.M. Stationery Office, price 2d. This contains additional notes for the guidance of claimants for cost of works payments under Part I of the War Damage Act, 1943, and deals particularly with alterations and additions which many owners will wish to make to their buildings in the course of making good war damage. The second edition of the first series of Practice Notes was published in the early part of this year.

Complete figures showing the extent of war damage could not be given during the war. Sir Malcolm Trustram Eve, K.C., Chairman of the War Damage Commission, recently revealed that the Commission

had been notified of damage to 3,281,953 separate properties, excluding all the public utilities. Notifications were still coming in, but these were subjected to strict scrutiny. Of this total, 3,024,822, or 92 per cent., were dwelling houses.

In some cases the damage had been repaired and paid for, while in others partial repairs had been carried out but more work was necessary. But in very many cases nothing had been done at all. The biggest part of the Commission's work, presenting the most difficult problems, was still before them. So far the Commission had paid out £271,281,171, including more than a million cheques for amounts not over £25. More and larger claims would become payable as the supply of building labour and material was augmented. It was impossible to give any estimate of the ultimate total cost.

Help for Development Areas

The formation was recently announced of the new Development Areas (Treasury Advisory) Committee, under the chairmanship of Sir Nigel Campbell, in accordance with Section 4 of the recent Distribution of Industry Act. The purpose of the Committee will be to give financial aid, normally in the form of annual grants, to persons intending to set up industrial undertakings in the Development Areas. Applicants have to comply with three conditions, however, the first of which is that they have been approved by the Board of Trade as complying with the proper distribution of industry. In addition, applicants must be able to show that they cannot raise funds on the "requisite" terms through normal channels, while their undertakings must be held to show prospects of ultimate success without assistance for an indefinite period. On the face of it, these conditions place a fairly strict limitation on the possible scope of the Committee's activities, but it must be understood that it is intended only to ensure that an applicant suitable in other respects is not prevented from setting up in the Development Areas for lack of funds. The main inducement to attract new industry in the Development Areas is the fact that building licences for factories will be granted much more freely in these areas than elsewhere, and for the next few years, at least, it is obviously a considerable advantage to industrialists to be able to press ahead with their plans.

Double Taxation Agreement with France

An agreement between the United Kingdom and France was signed in Paris on October 19. Under its provisions a British company will not be liable to the French tax on dividends by reason of having a French subsidiary, and a British company with a branch in France will pay the tax only on the profits of the branch. This has retrospective effect to 1931. The agreement also provides for reciprocal exemption from income tax of certain profits arising through agencies.

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ACCOUNTANCY

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BUDGET INCENTIVES

It is a paradoxical sign of the times that the first Socialist Budget has found such universal favour. With great dexterity, Mr. Dalton has distributed his favours among all classes of direct taxpayers; the boons are small, for this is an interim Budget, still darkly shadowed by war and scarcely illumined by peace, but they are none the less welcome as a symptom of reliefs in store. And they have clearly been framed to do two things which are urgently necessary. The first is to give industry some real incentive to re-convert to peace-time production; the second is to keep under control, as far as possible, the mass of free purchasing power which will constitute a dangerous inflationary threat until civilian production is again in full swing.

So it is a Socialist Chancellor who cuts E.P.T., and refuses to make but the slightest concession in indirect taxation; who sets the Stock Exchange ablaze, and offers no restoration of the earned income allowance which would greatly benefit the lower middle class income groups. Industry is the major beneficiary—as it should be. All the doubts about the repayment of E.P.T. refunds are swept away, and business has been given notice to carry out reconversion by the end of next year if it wants to charge the expenses against E.P.T. In fact, the Chancellor's broad treatment of E.P.T. is unexceptionable; it is no exaggeration to say that it is the most significant part of his proposals.

Yet there are reservations about all Budgets, and this is no exception. Although Mr. Dalton has expressed the intention to cast his Budget policy into a long-term plan, there is little indication in the first instalment of the precise nature of his objectives. The Chancellor's first priority at this interim stage is a limited and obvious task—to keep inflation within bounds. But his eventual success in this task will depend upon the achievement of a proper balance between expenditure and revenue over the next five years. A purist would argue that, during this period, Mr. Dalton should budget for a surplus, and though this ideal is no doubt impossible to realise in practice, it clearly sets a standard to be aimed at. And if this interim budget is the first instalment of a long-term

policy, it must be stated, with full emphasis, that Mr. Dalton has failed to give any lead about the order of magnitude of expenditure and revenue for which he is planning

No long-term plan could for a moment contemplate deficit financing to the extent of 50 per cent., which we have done well to achieve in war. Equally, it would be unfair to expect the Chancellor to restore a normal balance during a period of economic confusion and rehabilitation. But such signs as Mr. Dalton has allowed to appear in his first Budget are not wholly encouraging, viewed in a long-term Two points deserve particular notice. First, the inflationary pressure on industrial costs is only kept in check-and then partially-at a present cost (which is likely to increase) of £300 million in subsidies. This is a tax in reverse, a remission of indirect taxation on the grand scale—but its eventual removal will provide one of the major problems in the adjustment of British industrial costs to a competitive level. Mr. Dalton said kind things about the restraint of the Trade Unions in demanding higher wages, but even the stabilisation of the official cost of living index has not sufficed to prevent some sizeable increases in wage rates. The counterpart to food subsidies on this scale is a determined wages policy, under which increases should be related to increased productivity, and not to increased supplies of money which are unbacked by a freer flow of civilian goods. Until this crucial problem is solved, Mr. Dalton's long-term policy will appear to be as much concerned with evening out money incomes as with increasing real incomes.

The second point—somewhat related to the first—concerns Mr. Dalton's long-term intentions about industry's profit-earning capacity. He has thrown aside party doctrine in his treatment of E.P.T., but has not been able to resist one or two ideological flourishes about company profits. Between now and next April he will continue his search for an "alternative" to E.P.T. If this means a tax on company profits as such, Mr. Dalton has himself given the objections in his Budget speech; if it means a tax on growth of profits, it would be even more objectionable. Perhaps the Chancellor will fail in his search; but if he succeeds, the "alternative" could hardly fail to be a tax on enterprise.

In this present stage of inflationary twilight between war and peace, the financial policy of the new Government remains an open question. But at least Mr. Dalton recognises the importance of incentive. Unfortunately, fiscal policy is in danger of becoming too rigid to allow incentive full play. All the changes in direct taxation announced by the Chancellor take effect many months hence. Because of the complications of the present P.A.Y.E. tables, the Chancellor has now, it seems, to signal his income tax intentions six months ahead of their introduction. If incentive is to be the aim, it will demand a much more flexible income tax system than appears possible to-day. Mr. Dalton will earn a place in fiscal history if he succeeds in his promised reforms.

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The Second Budget

The most noteworthy features of the Budget, from the viewpoint of the accountancy profession, are the alterations in E.P.T. and the proposal that the Income Tax Act, 1945, shall come into force (with Part IV of the Finance Act, 1944, dealing with industrial research) on April 6, 1946.

E.P.T.

The Chancellor of the Exchequer described this tax as perfect for a short war, but as becoming less and less satisfactory in its general character and incidence as the war period lengthened, and still more as we enter upon the post-war period. He recognised the unfair incidence between businesses and the encouragement the tax gives to extravagance and wasteful outlay, and even dishonesty. It is evident that it will be repealed as soon as a satisfactory substitute has been worked out.

In the meantime, the rate is to be reduced as from January 1, 1946, to 60 per cent. Deficiencies from January 1, 1946, to December 31, 1946, will rank for set-off against excess profits taxed at 60 per cent.; deficiencies from January 1, 1947, will not rank for set-off against excess profits for other periods. It is evident that the Treasury does not intend to repeat the mistakes that arose in the terminating periods of

the E.P.D.

E.P.T. Refunds

At last, the suspicion with which the E.P.T. postwar credits have been regarded in some quarters are set at rest. Provision is to be made for repayment and to prescribe the conditions which must be satisfied before repayment can be made. Machinery is to be devised to supervise the repayments to ensure that they are used for development and reequipment of industry. While this is being worked out, the Revenue are to be empowered to make interim repayments pending a final settlement.

The refunds will be subject to deduction of income tax at the standard rate for 1946-47. The position regarding sur-tax is not clear; as the resolution states that the refunds are to be treated as income for all the purposes of the Income Tax Acts, there will presumably be a clause in the Finance Bill to spread

the liability for this purpose.

Income Tax Act, 1945

The appointed day for the coming into operation of this Act is now to be fixed: April 6, 1946. Coupled with the E.P.T. changes already mentioned, we have here a much-needed incentive to industry to get on with the post-war programme. The provisions of Part IV of the Finance Act, 1944, which are linked to the 1945 Act, will, of course, come into force on the same day. The encouragement to research is very welcome.

Accountants will find that they will have to delve deeply into the past to find out how much allowance can be claimed on existing buildings. It will also be necessary to separate out to a great extent conglomerate plant accounts, in order to arrive at the balancing allowances and charges when plant is scrapped, whether or not it is replaced. The Revenue may, of course, be willing to help by allowing old cases to continue on a compromised basis of deducting sale prices from the written-down values. With current inflated values, however, this may result in clients paying tax on capital profits which are not assessable. Cases should be carefully reviewed in the next few months so as to start the 1946-47 computations clean.

Double Taxation Relief

The necessary legislation to ratify the convention for double-taxation relief with the U.S.A., which was left over from the first Finance Bill as a result of the election, will now be passed.

Income Tax

Apart from all other aspects, it is practical politics to relieve the Revenue machine of the burden of dealing with the small taxpayers who were brought into the net by the decrease in personal allowances, and also of the burden of the post-war credit.

The alteration in allowances is to be introduced for 1946-47, so as to give time for re-coding under P.A.Y.E. The earned income and age allowances and children allowances are not affected. The personal allowances are to be increased from £80 to £110 for a single person, and £140 to £180 for a married man, the exemption limit going up from £110 to £120. (This will create a new marginal

position for unearned income.)

The reduced rate is to be graduated, the first £50 of taxable income being charged at 3s. in the £, and the next £75 at 5s. in the £. The standard rate is to be reduced to 9s. in the £. Incidentally, the deferment of the increased allowances and of the new standard rate until April, 1946 postpones the increase in purchasing power, represented by higher net incomes, until, as it is hoped, more goods and services and household equipment become available for consumers,

Against these reliefs, we are to have an increase in sur-tax, in the case of incomes in excess of £2,500, which will retain the total charge on incomes over £20,000 at the present combined rate of 19s. 6d.

To those with taxable incomes in excess of £165, the new rates will give relief of £50 at 6s., and £75 at 3s., a total of £26 5s. against the present £165 at 3s. 6d., £28 17s. 6d. Those with smaller taxable incomes will get a correspondingly greater proportionate relief.

Post-War Credits

The post-war credit system will cease at April 5, 1946, but the credits cannot yet be repaid for fear of inflation in view of the lack of supply of goods. The cessation of post-war credits reduces the relief that arises from the increase in the allowances. Indeed, some taxpayers will pay more when the credit is taken into account, owing to the failure to alter the earned income and age allowances. For example, a married man with two children, and an earned income of £600 at present pays £121 2s. 6d., but gets a postwar credit of £35, so his ultimate tax is £86 2s. 6d. His 1946-47 liability will be £90 15s.

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On incomes in the highest scales, the reduction in liability reaches a maximum of about £350, against which there is the loss of £65 post-war credit.

P.A.Y.E.

New tax tables will be necessary, and we are optimistic enough to believe that the graduation of tax in stages of 3s., 6s., and 9s. is not without significance as a step towards simplified tables.

Companies

The Chancellor expressed the hope that the reduction in the standard rate would be used by companies for the purchase of new and up-to-date plant, and not placed in the shareholders' pockets.

Purchase Tax

Certain domestic appliances—fires, etc., cooking appliances, water heaters and refrigerators—are to be exempted.

Other Changes

Motor cars, etc., are to be taxed on cubic capacity of the cylinders. This will apply to commercial vehicles from January 1, 1946, but will not apply to motor cars until a future date, and then only to new registrations. Certain small changes are also to be made in customs duty on hydro-carbon oils and excise duty on spirits used in industry.

The Future

It is noteworthy that the Chancellor indicated he might be able to make further proposals in April next. These are unlikely to be in the rate of tax, in view of its effect on P.A.Y.E. tables, unless universal tables can be evolved. It is also worthy of comment that a long-term view is being taken of the national finances. Budgets are to be regarded as part of a long programme, and not necessarily balanced from year to year. This opens the way to accumulating a surplus in good years to tide over bad ones; a scheme that should meet with approval.

Resolutions

Apart from the resolutions to give effect to the matters' mentioned above, resolutions, indicating that the Finance Bill will be interesting, dealt with:

- Amendment of Section 25 of the Finance Act, 1941, regarding tax-free annuities, to bring it into line with the change in the rate of tax.
- (2) Treating sums received under schemes certified by the Board of Trade under Section 25 of the Finance Act, 1935, or under schemes for the elimination or reduction of redundant works, plant, etc., as trading receipts, and treating contributions paid as allowable deductions.
- (3) Amending the Acts relating to exceptional depreciation.
- (4) Extending the time for making assessments to income tax where there has been an alteration in the amounts to be taken into account in respect of E.P.T. or N.D.C., or where there is a determination of the person entitled to an allowance for exceptional depreciation, or as to the amount of such allowance.
- (5) Varying the extent and incidence of E.P.T. and N.D.C. in certain respects.

Supplementary Budget Estimates

ESTIMATED EFFECTS OF CHANGES IN TAXATION				
	Estimate for 1946-47	Estimate for a Full Year		
Inland Revenue— Income Tax— Increase in the Personal Allowances to taxpayers and	£	£		
in the Exemption Limit Reduction in the Standard Rate of	- 140,000,000	- 160,000,000		
Tax Change in the Graduation of the Stan-	— 105,000,000	- 120,000,000		
dard Rate	- 38,000,000	- 42,000,000		
Increase in the rates of Sur-tax	<u></u>	+ 7,000,000		
TOTAL INCOME TAX AND	_ 283 000 000	_ 315 000 000		

INCOME TAX POST-WAR CREDITS

As a result of the cessation of Income Tax post-war credits in respect of tax for the year 1946-47 and subsequent years, the Exchequer will be relieved from incurring liabilities to repay £225,000,000 a year in respect of these credits.

Excess Profits Tax

No figure for the cost of reducing the E.P.T. to 60 per cent. is included in the above table, in view of the difficulty of making any estimate of this cost. In the Budget Speech the Chancellor of the Exchequer conjectured that the cost might be £60 millions after allowing for a fall in the level of excess profits. After allowing for the consequential increase in income tax the net cost would be about £30 millions.

inote	Estimate 1945-46	Estimate 1946-47	
Customs AND Excise— Customs— Hydrocarbon Oils	4	- £400,000†	
Total Customs		- 400,000	
Excise— Purchase Tax Spirits (Repeal of certain allowances) Distillers' licences	- 1,000,000 •	- 10,000,000 + 1,000,000 - 20,000	
Total Excise	- 1,000,000	- 9,020,000	
TOTAL CUSTOMS AND EXCISE	_ 1,000,000	- 9,420,000	
MOTOR VEHICLE DUTIES	Negligible		

§ These estimates are made on the basis of the existing amount and distribution of the national income.

*The effects of these proposed changes were taken into account in computing the Customs and Excise revenue for

1945-46 on the existing basis of taxation.

† Of which the proposed relief from duty on imported oils used as materials for processes of chemical synthesis accounts for £25,000 and the proposed allowance on home-produced oils so used accounts for £375,000.

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The Sterling Area

By J. GRAHAME-PARKER, B.A.

In 1929 there came to an end in the United States of America a period of years of riotous prosperity. An economic blizzard hit Wall Street, bringing ruin to hundreds of thousands in its train. The worst banking crisis in the history of any nation followed in that country. These events were world shattering. Within two years Great Britain was forced off gold and the disintegration of the international gold standard system began.

From the turmoil and confusion that attended the collapse of that standard there emerged a wide area of exchange stability known as "The Sterling Area." Its boundaries were not formally defined, but there were two main characteristics by which countries belonging to it could be identified. First, these countries maintained their currencies in a fixed relationship with the pound sterling. Secondly, they tended to keep their exchange reserves largely if not wholly in the form of sterling balances and other liquid assets in London.

Convenience, self-preservation, the magnetic pull of the British market, as well as the long tradition of maintaining exchange reserves in London as just mentioned, were the main architects of this currency "bloc." It began as a loose association of countries without any written constitution. No rigid rules determined the management of national policies, neither was any attempt made to evolve a fixed legal framework applicable to all countries.

Not New

The system was not new. Merged in the general gold standard régime, it had not been conspicuous in form. In fact, however, many countries nominally on gold had long been in practice "on sterling" because of the fixed relationship just indicated.

With the coming of World War Number Two, the extent and the content of the "Sterling Area" altered. A few neutral countries abandoned their link with sterling—to their regret I have no doubt—but the Empire and certain other areas drew closer. The sterling area became an instrument of total war. Outside the area, in pre-Lend-Lease days, considerable difficulty was frequently experienced in procuring war supplies; within it, shortage of foreign exchange could impede no transaction whatever which was vital to the war effort and which was physically possible.

The gradual evolution of sterling exchange control took place within the frame of the sterling area. That area acquired something that it had never had before—statutory definition. It became one of the essential means of defence for sterling. It was used overtly and consciously—and conscientiously—for canalising trade where strategic demands required it to be canalised. It provided the means for every kind of discrimination both in commercial policy and in directing the flow of capital to and from the various members of the area. Strategic needs thus

satisfied resulted in Great Britain accumulating a vast sterling indebtedness.

All this meant a departure from the age-old traditions of British monetary policy. This metamorphosis and its significance can best be appreciated and understood only by reviewing the growth and evolution of the sterling area between the time of our departure from the gold standard in September, 1931, and the outbreak of the war in September, 1939. Happily, the Economic, Financial and Transit Department of the League of Nations provides ample data on the matter in its erudite study on "International Currency Experience—Lessons of the Interwar Period."

Founder Members

The group of countries which determined to keep their exchanges stable in terms of sterling rather than gold—the founder members so to speak—when the pound depreciated in September, 1931, consisted in the first instance of the British Commonwealth of Nations with the important exception of Canada. This Dominion, which has done so much for us during the war, was a special case. Its currency—a dollar currency—took a middle course between the pound and the United States dollar. A few non-British countries, such as Portugal, also joined the sterling family immediately. South Africa hesitated for a few months before enlisting—no doubt anxious of the effect on her basic gold mining industry of the disintegration of the gold standard.

integration of the gold standard.

Other countries joined it later; the Scandinavian countries in 1933, Iran and Latvia in 1936. In addition, there were several countries, including Japan and the Argentine, which for many years kept their official exchange rates fixed in sterling, but which were not generally regarded as members of the sterling bloc. They did not keep appreciable reserves in London then.

The famous Swedish economist—the late Dr. Gustav Cassel—said that "the sterling area was a great success in so far as it has proved the possibility of maintaining stability in a paper-standard system." The rise of an exchange standard not rigidly tied to gold—in fact, it was not only independent of gold but stronger than gold—was an event of historical significance. Yet the causes of that success are not far to seek. With the constituent members of the Empire there were undoubtedly "sentimental" reasons, for adherence to the Mother Country; political bonds, too, may have played a part. But those things alone did not explain the fact that a currency which had severed its century-old link with gold in time of peace retained the allegiance of a considerable number of more or less independent currencies.

Prestige of Pound

What specific motives, then, led countries to adopt sterling as a standard? I would first of all put the prestige of the pound sterling and the implied confidence in the policy of the British monetary au-

thorities. Then, of course, there were solid economic reasons for the choice. All the countries concerned had close commercial and financial relations with the "hub" of the area—the United Kingdom. All conducted a large part of their external trade with other members of the "bloc," mainly, of course, with the United Kingdom, whose share of the exports of the other members was vitally important in all cases and dominant in most. The commercial ties were further consolidated by the Ottawa conference of 1932, which, in effect, defined the general aim of monetary policy within the sterling area as being the stability of prices. Then there were the far-reaching trade agreements which the United Kingdom concluded with the non-British countries, such as Denmark, Norway, Sweden and the Argentine. All these events served to strengthen the informal currency alliance which found expression in the sterling area.

Apart from the obvious advantage of maintaining stable exchange rates with the principal trading partner, these countries had a strong interest in protecting the prices of their exports and safeguarding their competitive position on the British market by allowing their currencies to depreciate in company with the pound. Moreover, the liquidity of sterling reserves was enhanced by the fact that most members of the sterling group were long-term debtors in sterling; such reserves were certain at any rate to retain the power to discharge those liabilities.

Poor Alternatives

It is also true that the poverty of alternatives increased the attractiveness of sterling. The American dollar was not exactly a desirable currency in 1931 or 1932; the country was paralysed by depression, with its banking system cracking and making for nation-wide suspension of payments. By 1933, the U.S.\$ had been subjected to the most deliberate and arbitrary devaluation ever seen in the monetary history of the world. There was no real counter-attraction there; nor was it to be found in gold, towards which a number of countries were harbouring suspicion and scepticism.

The relative attraction of sterling was further enhanced by the fact that in the depression of the 1930's the United Kingdom fared comparatively well because of the depreciation in sterling, the decline of money income and business activity being less severe in the centre of the group than in the other leading industrial nations. At the bottom of the depression in 1932, industrial activity in the U.K. was only 17 per cent. below the 1929 level; while in the United States it was 47 per cent. and in Germany

42 per cent. below that level.

The comparative mildness of the slump in the U.K. was partly due to the depreciation of the pound and partly to other factors such as the tariff, the cheap money policy of 1932, the improvement in the terms of trade, the limited extent of the pre-1929 expansion and the accumulation of investment opportunities. All of which illustrates the importance, for the working of an international exchange standard, of a reasonable stability of economic conditions in the centre country. It might be interpolated here that the stability maintained within the area was not rigid. There

were, indeed, several changes of parities, among them by New Zealand and Denmark. The latter country even preferred to check her domestic credit expansion rather than give up the sterling rate she had adopted early in 1931. These decisions were taken wholly on the initiative of the country concerned; they were unilateral and they were made without reference to Britain.

The fact that the members of the sterling bloc did not convert their sterling assets to any extent into any other currency or into gold—as they were at perfect liberty to do before September, 1939—is a token of the confidence in sterling and the considerable measure of voluntary discipline that had

developed within the sterling area.

The Advent of War

With the adoption of exchange control at the beginning of the war, the position was radically altered; but so were the conditions in which and the purposes for which the whole system was called upon to function. In the first place, its neutral adherents broke away because of the sharp depreciation of sterling but, in any case, their continued membership was hardly compatible with the strict requirement

of neutrality.

Secondly, of course, the area naturally became one of the keystones of the system of sterling exchange control. Within the area, movements of funds, whether for capital or for current purposes, remained free, but right around the area a fence of exchange control was erected. Another change in the character of the sterling area was the Exchange Pool Agreement, by which the signatories undertook to do what, in fact, most of them had done voluntarily before the war: namely, to sell their foreign exchange income to Great Britain and thus maintain the whole of their exchange reserve in the form of sterling assetsmainly British Treasury bills. In exchange for this undertaking, the members were guaranteed from the pool such "hard" currencies as they required to pay for absolutely essential imports from the countries in question.

The other fundamental change in the sterling area brought about by the war is the growth of the sterling balances held by the member countries in London and the parallel exhaustion of the United Kingdom's reserves of gold and hard currency assets. More than ever, sterling-of which currency there is more in existence—has to be taken on trust. in recent months, a number of Western European countries have concluded with Great Britain monetary and payments agreements which prove their present faith in the paper pound. To the sterling area proper, so to speak, there has been added a network of sterling-continental currencies. The existence of this network has doubtless had an influence on the financial discussions being carried on in Washington by the Halifax-Keynes Mission.

Our problem now is to pursue an economic policy abroad, which, while affording the utmost protection to this country in its changed circumstances, will yet be tolerable to other countries and consonant with their own legitimate interests. The very fact that the London funds of the many sterling area countries

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have risen to the astronomical figure of nearly £4,000,000,000 is a factor making for the continued cohesion of the sterling area, although these debts may yet be scaled down. The Bretton Woods agreement—officially known as "The Final Act"—while it does not specifically mention the sterling area—obviously has the present discriminatory use of the area in mind when it recognises the transitional period which may elapse before the ban on "discriminatory currency arrangements and multiple currency devices" becomes operative.

The Final Act

There are some people who contend that "The Final Act" is a challenge to the continued existence of the sterling area and they urge that a system which has proved its value a thousand-fold can provide a sound basis for a gradual world-wide extension of financial liberalism. Hence their contention that the principle of "The Sterling Area" offers the soundest platform for our post-war economic foreign policy.

The sterling area, as it existed and functioned before the war, would, in fact, have been entirely compatible with the scheme decided upon by the experts of 44 nations at Bretton Woods. On the other hand, the machinery of control, rationing of exchange and discrimination as now operated within the area would be entirely at variance with the Bretton Woods set-up after the expiry of the transitional period.

Sterling, for a time, must be too weak a currency to be subjected to the full rigours and perils of multilateral convertibility, but a great deal can be done in the space of three to five years. Much depends upon what emerges from the Halifax-Keynes talks in Washington. Pre-war sterling is rather different from post-war sterling; nor are the political and economic links quite the same. In fact, as the very outcome of the war, some members of the area have achieved such a state of political and economic independence as to make it doubtful whether they would accept an agreement to use the sterling area as a weapon of economic war against the United States. Quite a number are, after all, now very much dependent on trade with the non-sterling area. Indeed, the set-up has changed in marked degree.

If, however, we envisage post-war commercial relations as those of power blocs directing their trade as they would wage war, then we should not lightly discard the sterling area, although it would hardly fare well under such nightmare conditions. So much depends again on what the United States and, incidentally, the Soviet State, does. If the United Kingdom, together with members of the Commonwealth and certain Western European countries, are driven into forming an economic alliance for purely defensive purposes it is a different matter, but the situation then would be grim. If, however, a real attempt is to be made to re-create the world, to encourage the growth of international trade, and to raise living standards, then some international monetary system of the character of Bretton Woodsif not entirely The Final Act—must be established. Such being the case, the sterling area would need to emerge from the transition period shorn of its war trappings at least.

The Company Law Report

III—Consolidated Accounts

By F. W. FORGE

The recommendations of the Cohen Committee with regard to consolidated accounts form part of their suggestions for dealing with the position of holding companies and cannot be separated from them. The object of the Committee is, of course, to place the investor in a parent company as nearly as may be in the same position with regard to information as is the investor in a simple concern without subsidiaries. To achieve this completely without the publication of detail is impossible, but the Committee takes the view that the difficulties of achieving a reasonable working compromise have been exaggerated, and it comes down fairly and squarely in favour of consolidated accounts as the best workable compromise available.

Consolidated accounts are a compromise because, while they say what the aggregate assets of the group are valued at and indicate the extent of outside interests, they do not reveal how far these outside interests rank pari passu with or in priority to the holdings of the parent company. None the less it is probably correct to say that, provided the definition of what has to be consolidated is a reasonable one,

and if accounting practice throughout the group is reasonable and consistent, the picture presented is adequate. This belief rests on the supposition that the management of the parent has effective control of all the assets of the group and administers them for the benefit of the whole complex.

The Cohen Committee has not concerned itself with this rather theoretical question, but has recommended that consolidation be general and has then gone on to consider just what it is proper to consolidate.

Definition

In this matter the Committee has rendered a great service by giving a definition of a subsidiary which escapes in part from mere numerical share control and substitutes power to secure certain ends. The section, although lengthy, cannot be condensed. It reads:—

A company shall, whether it is a company within the meaning of the Companies Act or not, be deemed to be a subsidiary company of another company (hereafter called the holding company) if it is either—

- (a) a company in respect of which the holding company possesses power to appoint or remove, or procure the appointment or removal of, a majority of the directors either directly through the beneficial ownership of the whole or any part of the share capital or indirectly through the beneficial ownership of the whole or any part of the share capital of any other company or companies or through a combination of these means including power liable to suspension in the event of default of payment of dividends to persons other than the holding company and its subsidiary companies, but not including power arising by virtue only of the provisions of a debenture trust deed or by virtue of shares issued for the purpose in pursuance of these provisions; or
- (b) a company in respect of which the holding company possesses power to appoint or remove or procure the appointment or removal of a majority of the directors of another company by some other means than as stated in (a) above and is directly or indirectly the beneficial owner of any part of the share capital of such other company; or
- (c) a company in which more than one half of the equity share capital is owned beneficially by the holding company and its subsidiary companies.

This brings into the definition all companies which have escaped by means of a chain of holdings and it will probably be found to make some contribution to bringing in some of those concerns where the control is effective even though the ownership is small,

Exceptional Cases

The Committee goes on to lay down the general principle that all holding companies shall publish consolidated accounts, both balance sheet and profit and loss or revenue and expenditure statement, and that these shall contain, as far as may be, the information demanded for the accounts of all companies. It then goes on to provide for those cases where the board considers consolidation to be either impracticable or misleading.

The Committee, as in so many other matters, leaves the decision as to what is impracticable or misleading to the sole discretion of the board, but it makes it clear that in the past the difficulties have been too often stressed. In fact it is difficult to imagine a case which falls under the heading of impracticability, except to the extent that under war conditions delays might occasionally be so great as to render it more satisfactory to have rather less perfect information at a much earlier date rather than wait for full figures. On the other hand there are many circumstances in which any given board might consider consolidation misleading. All that can be said on these recommendations is that, while the Committee has gone as far as was reasonably possible in framing an amendment of the law, a great deal will depend upon the interpretation which those responsible place upon the law; and this will not be uninfluenced by the attitude of those most concerned, namely the shareholders themselves.

When the directors decide that for any reason they will not present consolidated accounts, or will not include in the consolidated accounts presented the figures of any company or companies, no obligation is laid upon them to present the accounts of the subsidiary companies excluded. They have, however, to give their reasons for not including the figures and to state the net aggregate amount, attributable to the interests of the holding company, of profit for the accounting periods ending within the period covered by the accounts of the holding company and, so far as practicable, the aggregate profit including reserves, other than capital reserves, since acquisition of such interests by the holding company and its subsidiary companies. Further, they must give particulars of any qualifications on the auditors' reports of non-consolidated subsidiaries. There does not appear to be any provision for the presentation of a reconciliation statement where consolidated accounts include figures of different dates, and this is clearly desirable.

Except on the grounds of impracticability or creating a false impression the Committee does not recommend that any subsidiaries be excluded from consolidation merely on account of the size of the interest held; and this is, probably, the correct decision. There is, however, one exception to this, as to many of the other recommendations as to disclosure, namely in the case of banking, discount and insurance companies. For these concerns it is suggested that the Board of Trade should grant exemption from consolidation in the case of subsidiaries carrying on a business of an entirely different character from the holding company, where the subsidiary has been acquired as a temporary measure. It seems that no exception can be taken to this.

Statements by Directors and Auditors

Although this mechanism is somewhat involved, it seems reasonably watertight, subject to a strict interpretation of "impracticable or misleading." It is important that the Committee attaches to the consolidated accounts the same obligations as have in the past attached to the statutory accounts of all companies. They are in fact to be deemed part of the annual accounts and to be signed by the director or directors who sign the accounts of the holding company. Equally, the auditors are required to report on the consolidated accounts and on any statements annexed to them. And if in the process of consolidation the directors have made any adjustments of the accounts the auditors are required to report that these are appropriate or that other adjustments ought to be made; that the statements of the directors as to the exclusions, on the ground of impracticability or misleading character, are satisfactory; and that the figures of profits, etc., of nonconsolidated subsidiaries and qualifications in the auditors' reports on them have been properly compiled.

These recommendations are all in line with the general policy of the Committee which is to leave the directors the utmost freedom of action, but to tie them, and the auditors, down to definite statements given over their signatures. This is almost certainly the right line of approach to a very difficult problem. A final solution is dependent upon a general advance in education which will lead all the interests concerned, shareholders, directors and auditors, to see that only by the fullest disclosure can savings be

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directed into the hands of those entrepreneurs most capable of using it profitably. The publication of consolidated accounts will be a substantial step in this direction, but it is reasonably certain that consolidation will not be so full as is desirable precisely in those cases where the need of the fullest information is most necessary. It would seem that in this matter the Committee might have gone one step further. They have said that the directors must explain why they consider consolidation would be misleading, but they do not insist that they shall establish their case.

Before leaving this point, it should, perhaps, be said that the decisions of the Committee appear to have been influenced only slightly by the popular belief that it is the proper business of Government to control industry. The consolidated accounts to be published, if these recommendations are adopted, will suffer from the weakness of the general recommendations as to what is properly to be published in all company accounts but, in those cases where consolidation is imperfect, holders in the parent, or holding, company will benefit from a number of recommendations of the Committee, including the obligation of all companies any of those shares or debentures are held by the public to publish accounts.

Some Questions Left Unanswered

The Committee has not thought it appropriate to make any recommendations on the purely accounting questions involved in consolidation, nor was it to be expected that they would. From the standpoint of those who have to attempt the interpretation of consolidated accounts there are, however, a number of points on which additional information is desirable, if some means can be found of conveying it succinctly. It is assumed that, under the recommendations, the figures of a subsidiary which is in fact bankrupt, and which the holding company does not intend to keep solvent, will be excluded from consolidation. Is it a fair assumption that the whole of assets represented in the accounts are to be considered as under the control of the board of the holding company? Further, although the companies are to be considered as solvent, how far are the obligations of individual companies to debenture and non-equity holders outside the group to be regarded as certain of fulfilment? Finally, ought there not to be some elucidation of the nature of these obligations to outside interests beyond the slight indication provided by stating their share in profits and the total of their interest?

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In existing circumstances, the only safe procedure is to treat the whole of their claims, whether to capital or to revenue, as preferential to those of all classes of capital in the holding company, unless something to the contrary is known. There are many cases where this may prove ultra conservative. The effect of that is that the attractiveness of an investment in the holding company is under-valued so that it will raise capital on terms less favourable than its real performance would warrant. Possibly the number of cases in which the error arising from such an assumption would be large enough to have important results is small. If that is so it is to be

hoped that in the few exceptional cases every effort will be made to put the position clearly.

A further point arises from the decision of the Committee to adopt the presentation of a single consolidated account as the solution of the problem of condensation. It is almost certainly the case that, where a single holding company controls subsidiaries operating in a number of distinct industries, or carrying on completely different functions, such as manufacture, on the one hand, and financial activities, on the other, instances will arise in which consolidation by groups ought to be insisted upon, either as a substitute for, or in addition to, the complete consolidation. It is suggested, although without much hope, that in such instances the recommendations of the Committee will be regarded as an indispensable minimum and not as a maximum from which to make deductions as occasion offers.

Helping Long-Term Investment

If the recommendations of the Committee are adopted throughout, there will gradually emerge a body of information as to the achievements of industrial groups sufficiently precise to tilt the balance in favour of those investors, and investment advisers, who attempt to follow a logical policy of long-term investment and away from those who are primarily interested in speculating for a rise, however that rise may be induced. Much more is needed before it will be possible to achieve an ideal flow of savings into the channels most likely to be profitable. But the Cohen Committee, and recent improvements in accounting theory and practice, have carried the matter a long step in the right direction.

Prevention of Fraud (Investments) Act

By Section 1 (a) of the Prevention of Fraud (Invest-ments) Act, 1939, it is an offence, after the appointed day, to carry on, or purport to carry on, the business of dealing in securities except under the authority of a principal's licence issued by the Board of Trade. In R. v. Hamid (61 T.L.R., 522), the Court of Criminal Appeal held that the transactions prohibited by the Section included transactions in relation not only to the shares or debentures of a company already in existence, but also to shares or debentures of a company which it was proposed should be incorporated in the future. The applicant had been convicted and fined on four different transactions. One related to a company in existence, but the other three were invitations to subscribe money towards the share capital of companies to be formed. In rejecting the argument for the applicant that these three counts were not covered by the Act, the Court pointed out that the obvious scope and intention of the Act was to protect the public by ensuring that persons who, for the purpose of dealing in securities, invited the public to part with money. should be persons of substance; it was just as desirable, perhaps more so, that they should be persons of substance when the transactions related to a company not even registered. Although the Court so held, however, as the applicant had done nothing clandestine, the Court reduced the fine from £300 to £100, leaving the applicant to pay the costs of the prosecution.

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The Measurement of Profits

III—The Approach of the Accountant and the Approach of the Economist Contrasted

CONTRIBUTED THROUGH THE INCORPORATED ACCOUNTANTS' RESEARCH COMMITTEE

In our June issue we published an article by Mr. Bertram Nelson, Incorporated Accountant, on accountancy aspects of the Measurement of Profits. This was followed in the October issue by a memorandum on the economist's viewpoint by Dr. H. W. Singer, with whom Mr. F. Sewell Bray has since been in correspondence. Mr. Bray and other members of the Incorporated Accountants' Research Committee have now had conversations with Dr. Singer, and the following statement has been prepared, which reconciles in a considerable degree the two viewpoints. Comment by readers will be welcomed.

The term "profit" has a different meaning for accountants from that which it has for economists, mainly because the purpose of the accountant in measuring profit is different from that of the economist. In his memorandum, Dr. Singer has outlined something of the purpose for which an economist would seek to measure profit. For the accountant profit is largely bound up with questions concerning its distribution, with the consequence that he places the emphasis on its realisation in terms of cash or its equivalent. In the accounting sense, profit in its simplest terms is the excess of income realised over costs and expenses incurred. In the economic sense, profit or loss depends upon a comparison of values. In simple terms an increase in value is a profit, a decrease in value is a loss. Economists emphasise real values, and by real values they mean the economic goods which a given valuation represents. An increase in value, therefore, suggests to them an increase in the goods which can be commanded.

"Current" or "Going Concern" Values

To the accountant, financial accounting documents constitute a summary record of business transactions over a given period of time on the basis of the prices at which those transactions were in fact put through. Economists would wish accounts to furnish information in terms of current values with a view to assessing real values, and to assist them in making their summations of national capital and income. the net assets of a particular business undertaking constitute one of the assets forming part of the national capital contributing to the current flow of economic goods conceived by the economist as being the real gross national income. The economist therefore tends to criticise accounting balance sheets because they do not necessarily reveal the current net worth of business undertakings at their "going concern" valuations, "going concern" in this context being dissimilar from the use of that term by accountants. The term "going concern" to economists suggests a forward-looking approach which has regard to the organisation of fixed installations and their power to provoke a stream of goods and services hence current valuations in their sense largely depend upon the principle of discounted future profits.

The method of ascertaining such economic value assessments with any reasonable precision is still obscure and it is a major open question between economists and accountants. We are now at the

point when, as accountants, we should call upon economists to give us a plain statement of the manner in which they would set about the ascertainment of their current or "going concern" valuations.

Valuation of Stock

Accepting the accounting definition of profit, there is one serious criticism to which accountants have left themselves open in their discussion with economists. The application of the convention of anticipating losses in financial accounting documents and of applying the rule of cost or lower market value to unrealised stocks confuses policy with measurement and distorts the strict accounting definition of profit. If profit is strictly conceived in terms of realisation in cash or its equivalent, it is clear that unsold stocks must be carried over at cost until the time comes when it is possible to measure the profit or loss in terms of realisation; logically there can be no question about this. To anticipate a loss by writing unrealised stock down to lower market value is merely a question of policy and is not related to measurement. Accordingly a strict accounting view would now incline to a first statement of income in terms of realised profit at cash or its equivalent, thereby necessitating the carry over of unrealised stocks at their historical cost valuation. It would then recommend the setting up of an adjustment statement to show policy reserves. As with unsold stocks so with other costs not converted into products sold. Economists would approve this technique.

Supplementary Data for Economists

In recent correspondence with Dr. Singer it has been suggested that, providing economists could indicate the method of assessment of their "going concern" valuations, this adjustment account could be developed to show the differences between economic and accounting valuations. Accountants would still prepare their balance sheets according to the same conventions which they now use, but they would carry on to such documents supplementary interpretative data in terms of the valuations required by economists. Such a document would then give the basic data of the accountant, supported by the supplementary interpretative data required by the economist, with an adjustment statement to reveal, inter alia, the differences.

To sum up, it seems that economists are now prepared to accept the necessity for a statement of account in terms of accounting conventions providing that it is supported by supplementary economic data. We are therefore at the point of reconciliation with economists on the technique of stating accounts; what is still unsettled is the precise data which economists will require and the method of their ascertainment in such a way as to provide figures with which accountants can deal.

Incorporated Accountants' Course, Oxford, 1945

Incorporated Accountants who have served with H.M. Forces are invited to attend, as the guests of the Society, a Refresher Course to be held at New College, Oxford, from December 14 to 22, 1945. Thanks are due to the Warden and Fellows of New College for kindly granting permission for the Course to be held there, Members will reside in New College and meals will be taken in the College Hall.

Members who are able to accept the Society's invitation are asked to communicate with the Secretary at Incorporated Accountants' Hall, giving full name, Service particulars and address for communications.

Programme

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Friday, December 14

- 2.30-6.0 p.m.—Office open for registration.
- 8.30 p.m.—Opening Meeting: Welcome by the Vice-Chancellor of the University of Oxford.
- 9.0 p.m.—The President of the Society will receive the members.
- 9.30 p.m.—Meetings of groups.

Saturday, December 15

- 9.15 a.m.—Opening Address: "The Profession during the War," by the President (Mr. F. Woolley, J.P., F.S.A.A.). General discussion.
- 11.0 a.m.—Lecture : "War-time Taxation." General discussion.
- 2.30 p.m.-Theatre Party.
- 8.15 p.m.—Informal discussion: "Our Outlook on the Profession," by Members of the Course.

Sunday, December 16

- 11.0 a.m.—Service in the College Chapel (by kind permission of the College). Preacher: The Right Rev. The Lord Bishop of Lichfield, D.D.
- 4.30 p.m.—"Suggestions for Reading and Study."
 Discussion led by Mr. Bertram Nelson, J.P.,
 F.S.A.A.
- 9.0 p.m.—Meetings of Groups.

Monday, December 17

- 9.15 a.m.—Lecture: "The Accountant as Auditor," by Mr. E. Cassleton Elliott, F.S.A.A. (Past-President). Group discussion in Rooms.
- 11.15 a.m.—Lecture: "The Accountant as Liquidator and Trustee," by Mr. Roland Burrows, K.C. Group discussion in Rooms.
- 5.0 p.m.—Lecture: "Modern Methods of Industrial Accounting," by Mr. H. Vincent Vale, F.S.A.A. Group discussion in Rooms.

Tuesday, December 18

- 9.15 a.m.—Lecture: "Income Tax I (Schedules A, B and D)," by Mr. A. Stuart Allen, F.S.A.A. Group discussion in Rooms.
- 11.15 a.m.—Lecture: "E.P.T. I," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A. Group discussion in Rooms
- 5.0 p.m.—Lecture: "Government Controls," by Mr. R. E. Yeabsley, C.B.E., F.S.A.A., F.C.A. Group discussion in Rooms.

Wednesday, December 19

- 9.15 a.m.—Lecture: "Income Tax II (Schedule E)," by Sir Frederick Alban, C.B.E., F.S.A.A. (Vice-President).
- 10.0 a.m.—Lecture: "Income Tax III (P.A.Y.E.)," by Mr. Stuart M. Rix, A.S.A.A.
- 10.45 a.m.—Group discussion (on both lectures) in Rooms.
- 11.30 a.m.—Lecture: "The Accountant as Executor," by Mr. J. A. Jackson, F.S.A.A. Group discussion in Rooms
- 5.0 p.m.—Lecture: "E.P.T. II and N.D.C.", by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A. Group discussion in Rooms.

Thursday, December 20

- 9.15 a.m.—Lecture: "Accounting Principles," by Mr. F. R. M. de Paula, O.B.E., F.C.A. Group discussion in Rooms.
- 11.0 a.m.—Lecture: "Form of Accounts," by Mr. F. Sewell Bray, F.S.A.A., F.C.A., and Mr. H. Basil Sheasby, A.S.A.A., A.C.A. General discussion.
- 5.0 p.m.—Lecture: "Company Law Amendment," by Professor A. L. Goodhart, K.C. General discussion.

Friday, December 21.

- 11.15 a.m.—Lecture: "The Etiquette of the Profession," by Mr. Richard A. Witty, F.S.A.A. (Past-President). General discussion.
- 2.45 p.m.—Closing meeting: Votes of Thanks.
- 5 7.0 for 7.15 p.m.—Guest Night Dinner in Hall.

Companies Registration Office

The Registrar of Companies has now returned from Llandudno to Bush House (South-West Wing), Aldwych, London, W.C.2.

Publications

Solicitors' Accounts. By H. Nevill Smart and P. H. Blackwell. Second Edition, (Solicitors'

Law Stationery Society, Ltd., 88-90, Chancery Lane, London, W.C.2. Price 15s. net.)

A knowledge of the Solicitors' Account Rules, 1945, and the Solicitors' Trust Accounts Rules, 1945, which came into operation on January 1 last, is essential to the preparation of all solicitors' accounts. The Rules are reproduced in this work with full notes by the authors. The main Rules amend and supersede those of 1935, but the amendments are mostly by way of clarification. The Trust Accounts Rules are new and are designed to overcome the difficulties which were experienced where a solicitor received money as trustee and not as solicitor. The Rules emphasise the principle that nothing should be paid into the solicitor's office account until it becomes his own money and entirely at his own disposal. The translation of legal rules into accountancy practice is not always easy, but the authors give detailed instructions as to the keeping of the books and all necessary transfers which may follow consequentially upon the operation of the Rules. The examples show separate cash books for office and clients' monies and also a combined cash book with double columns. The Transfer Journal is explained and exemplified, and we note that full particulars are given under each entry in the Journal. All other matters arising in connection with the books and accounts of a solicitor are explained with the same care and a complete set of accounts is given for a three months period leading up to the trial balance, profit and loss account and balance sheet. The work, as a whole, is clear, concise and authoritative, but any review for an accountancy journal would be incomplete without repeating the authors' reminder that the "Accountant's Certificate Rules" provided for under the Solicitors' Act, 1941, have yet to be made, but that the Act itself lays down clearly that if any solicitor fails to comply with the Accountant's Certificate Rules a complaint may be made by or on behalf of the Law Society to the Disciplinary Committee.

Income Tax Under Schedule E. By James S. Heaton, Incorporated Accountant. (Jordan and Sons, Ltd., 116, Chancery Lane, W.C.2. Price 15s. net.)
The impact of P.A.Y.E. has altered the machinery

for collection of income tax under Schedule E, but does not materially affect the basis of that assessment apart from the one important fact that the assessment is now based on the income of the actual year and not on that of the previous year, with the exception of emoluments arising from service in or with the Armed Forces. In the great majority of home cases the assessment is simple, but complications arise in connection with offices and employment abroad, pensions, superannua-tion, lump sum payments and various other special cases, and these are dealt with at length by Mr. Heaton. The modified procedure in relation to returns by employers and employees is set out and this is followed by details of the regulations governing the deduction of and accounting for tax under this schedule. They make it all too clear that every employer of labour has been turned into an unpaid Collector of Taxes, and if he fails to do his job properly he will not merely be reprimanded but may be subject to dire penalties. But experience has already proved that the system may be made to work well although at present there appears to be an inevitable time lag between the collection of the tax and the ultimate and final settlement of the assessment itself. The appendix reproduces in full the following

Acts and regulations, namely, Income Tax (Employments) Act, 1943, Income Tax (Offices and Employments) Act, 1944, Income Tax (Employments) Regulations, 1944, Income Tax (Employments) (No. 2) Regulations, 1944, Notes on P.A.Y.E. applied to Clergy of the Church of England, and Income Tax (Employments) (No. 3) Regulations, 1945. These reprints, in conjunction with the complete treatment of the subject by the author, make the work an indispensable desk book for every practising accountant.

The Principles of Mercantile Law. By J. Charlesworth, LL.D. Sixth Edition. (Stevens and Sons, Ltd., and Sweet and Maxwell, Ltd., London. Price: 12s. 6d. net.)

This is the sixth edition of a well-known introduction to the principles of mercantile law. The fact that since it was first issued in 1929 there have been eight editions or reprints speaks volumes for the value found in it by professional students.

The special feature of the book is the very full way in which the principles discussed are explained by summary statements of the circumstances arising in cases which have been settled in the Courts. The extent to which this has been carried is indicated by the fact that the index of cases covers twenty pages.

The only important statute dealing with mercantile law which has come into force since the last edition (apart from emergency legislation) has been the Law Reform (Frustrated Contracts) Act, 1943. This has been incorporated into the text and the whole book brought up-to-date by reference to cases decided since that previous edition.

Palmer's Private Companies. 39th Edition, by J. Charlesworth, LL.D. (Stevens and Sons, Ltd.,

London. Price: 2s. 6d. net.)
This is the 39th edition of Palmer's well-known guide, and the continuous demand for over sixty years is a sufficient indication of the value which has been found in it by successive generations of readers. The present edition has been brought up-to-date by reference to the Liabilities (War-Time Adjustment) Acts, 1941 and 1944, the benefits of which extend to private companies alone of incorporated bodies. A short chapter has been added on the position of private companies in relation to taxation, and another gives guidance as to testamentary provisions for the conversion of businesses into private companies.

One must not be misled by the price. This is not a pamphlet, but a work in concise form giving the information required in order to form and work private companies, and also considering the mode of converting a business into such a company and the advantages of so doing. There are 100 pages of constructive material, including outlines of vending agreements, memorandum and articles of association, together with a comprehensive index.

The Essential Work Order. By H. Samuels, M.A. (Stevens and Sons, Ltd., London. Price: 2s. 6d. net.) The drastic restrictions on the freedom of employment during the war have been carried out under two Statu-tory Orders by the Ministry of Labour: (1) The Condi-tions of Employment and National Arbitration Order (S.R. & O. 1940, No. 1305), and (2) The Essential Work Order (General Provisions) (S.R. & O. 1942, No. 1594). In addition, certain industries have been dealt with by special orders covering the variations in matters of detail from the general orders.

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The conditions apply to every trade and industry in which there are recognised terms and conditions of employment settled by collective bargaining. These are now given statutory force and must be observed throughout the trade concerned, i.e., it is no longer possible to avoid these regulations by employing non-union labour. The Essential Work Order applies to undertakings which have been scheduled as engaged in work essential to the war effort

It must not be supposed that these Orders, because they were enacted for war-time purposes, are now abrogated; they are still in force and may very well remain so, in whole or in part, for a considerable time. The general effect is that workers are guaranteed a wage at a weekly or daily rate, that transfers, dismissals, or resignations require the approval of the National Service Officer, and that those who disobey directions may be prosecuted under the Defence Regulations. There are also special tribunals set up under the Orders for the hearing of appeals on matters arising.

This book is the first complete exposition of the subject which has come to our notice, and a copy should be in the hands of all who are engaged in the direction of labour in any of the businesses concerned. It is clearly and concisely written and the avoidance of all extraneous matter enables the author to give a full and clear account of the provisions in brief and readable

TAXATION

Taxation Notes

Residence

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The position of visitors to the United Kingdom is again assuming importance. In this connection, the words of Miscellaneous Rule 2, Schedule D, are not always noted as closely as they should be: viz.:

always noted as closely as they should be; viz.:

"A person shall not be charged to tax under this Schedule as a person residing in the United Kingdom, in respect of profits or gains received in respect of possessions or securities out of the United Kingdom, who is in the United Kingdom for some temporary purpose only, and not with a view or intent of establishing his residence therein, and who has not actually resided in the United Kingdom at one time or several times for a period equal in the whole to six months in any year of assessment, but if any such person resides in the United Kingdom for the aforesaid period he shall be so chargeable for that year."

The words italicised should be noted. Intention is equally important to physical presence. If a person comes here to stay permanently, the Rule does not exempt him; on the other hand, a temporary purpose may keep him here for several years, e.g., to pass examinations, in which case the six months rule becomes of great importance, and it becomes necessary to examine the basis of assessment. If the visitor is not domiciled in the United Kingdom, or, being a British subject, is not ordinarily resident here, he will pay only on remittances from income arising outside this country.

A person who makes habitual visits, year by year, for periods exceeding three months in each year of assessment, is regarded as becoming ordinarily resident as from the fifth year. He has shown a habit of life which involves substantial residence here; 25 per cent. is a substantial portion of one's life.

Charitable Covenants

Practically every charity now supplicates its subscribers to enter into "seven-year deeds," in order to increase the charity's income without cost, or even with a saving, to the subscriber. A person who is in the habit of subscribing two guineas a year can enter into a deed undertaking to pay such sum as after deduction of tax will leave the stated sum. So long as the period is one that can exceed six years, e.g., seven years or life, whichever is the shorter, the deed is valid for its purpose. The charity will reclaim the tax notionally deducted; the subscriber will treat the gross sum as an annual charge. Subject to his unearned income being sufficient to cover the charge, so that he does not lose earned income allowance, and to there being enough income chargeable at the standard rate, the net cost to him is unchanged, and if he is a surtax payer he will save surtax on it.

Without detracting from the desirability of the scheme from the charity's point of view, it is necessary to bear in mind that taxpayers have to foot the bill; the saving of one man can only be at the expense of taxpayers as a whole. A taxpayer with an income over £20,000 can benefit a charity at a cost of sixpence in the £ to himself, as he deducts ten shillings and saves nine and sixpence surtax for every pound he covenants to pay the charity. The nineteen shillings and sixpence must therefore come from taxpayers generally.

Directors' Fees payable to Professional Men

Where accountants and other professional men are appointed directors of companies, the fees are, in law, assessable under Schedule E, and chargeable under P.A.Y.E. Where, however, it has been the custom for such fees to be included in the professional accounts for assessment under Schedule D, it is the practice to allow new appointments to be so included. The Revenue are not willing to extend this practice, and any new appointments where there is not an existing precedent will be assessed under Schedule E. This causes difficulties between partners, but cannot be avoided.

Cash Basis of Accounts

Many professional men keep their accounts on a cash basis, or at best a receipts and expenditure basis, i.e., they do not bring in uncollected fees receivable or work in progress. The Revenue will usually agree to this basis, except in the first three years of a new business. At first sight it has attractions, but it may give curious results. It may seem attractive not to bring into account work in progress, on the argument that tax cannot be paid out of money not fully earned and received. There is a fallacy here, however, as, owing to the basis of assessment, the work will normally have been completed and the money received before the tax on the assessment based on the accounts in question becomes due.

Where accounts have been kept on a cash basis and the business is discontinued, it is well to remember that debts subsequently collected cannot be assessed; the assessments made during the life of the business exhaust the taxable profits (Bennett v. Ogston, 15 T.C. 374).

Tax-free Remuneration

It is to be hoped that P.A.Y.E. will bring to an end all schemes of paying remuneration free of tax. Apart from the complications which arise in calculation, it is contrary to public interest that the taxpayer should not feel the full impact of direct taxes. To a minor extent P.A.Y.E. can be similarly criticised; although the taxpayer is bearing directly and immediately the tax burden, in course of time it becomes obscured in the pay packet.

Recent Tax Cases

By R. A. FURTADO, Barrister-at-Law

Income Tax—Trade receipts—Accounting period to which credited.

In New Conveyor Co., Ltd. v. Dodd (K.B.D., July 18, 1945, T.R. 233) the question in issue was to what accounting period a certain item of trade receipt should be credited. A company, H.S., Ltd., contracted in 1936 to supply steel balancing doors to the War Office, and a second company, E.D., Ltd., made a similar contract with the War Office in 1937. Under both contracts the War Office undertook to pay for the doors on a cost-plus basis. All the doors under both contracts were in fact manufactured by the appellant company, who in due course received certain sums agreed by the War Office as cost of manufacture. These receipts included a sum which represented the cost to the appellant company of acquiring the patent rights under which the doors were manufactured. The Court held that the whole of this sum represented the price payable for doors delivered under the 1936 contract, and no part of it was referable to the 1937 contract, although the doors delivered under the 1937 contract were manufactured under the same patent, and decided that the sums received must be allocated to the accounting periods in which the doors in respect of which they were paid were actually delivered.

The point as to the cost of acquiring the patent was decided on the special facts of the case, and does not appear to be of general importance. The main point, however, as to the accounting period to which receipts are to be allocated is of importance; such questions arise more frequently in connection with E.P.T. than with income tax, and there will, no doubt, be many disputes on this subject when E.P.T. comes to be reduced or abolished. In the present case the question arose in a simple form: a manufacturer who manufactures on terms entitling him to payment as and when the articles are delivered must expect his receipts to be credited to the accounting periods in which deliveries are made, even if he is in fact paid in later years. More difficult questions may, however, arise when contracts are partly executed in years when E.P.T. is in force, and provisional payments are made, to be finally adjusted or compromised at a later date after E.P.T. has been reduced or abolished. The line of cases beginning with the "Woolcombers' case" (Isaac Holden and Sons v. C.I.R., 12 T.C. 786) will be remembered in this connection, as the authorities to which reference must be made.

Income Tax—Annuity free of tax—Repayment claim— Annuitant accountable to trustees for tax recovered.

In C.I.R. v. Cook (H.L., July 30, 1945, T.R. 259), the position of the recipient of a tax-free annuity, who is accountable to trustees for any tax recovered in respect of the annuity, was considered by the House of Lords. The subject is one which has given much trouble ever since the decision in Re Pettit (1922, 2 Ch. 765), and in spite of the long judgments in the House of Lords, it is feared that there are still many difficult points of considerable practical importance remaining unsolved.

It will be remembered that the decision in Re Pettit and subsequent cases was that where a tax-free annuity is given by will, in such terms that it is to be construed as an annuity of fx plus such tax as the annuitant may ultimately be chargeable to, then the annuitant must hand back to the trustees any tax recovered from the Revenue on account of personal allowances and reduced rate relief. In the present case, the annuitant was

entitled to an annuity of £100 a year, free of all deductions including income tax, and she had no other income. The trustees of the will gave her a certificate, as respects the year 1939-40, that the gross amount of the annuity was £153 odd, and that tax amounting to £53 odd had been deducted therefrom. She thereupon made a claim for repayment of £47, made up (a) as to £35, a single person's allowance of 7s. in the £ on £100, and (b) as to £12, two-thirds of the tax at the standard rate on £53. The Crown would not allow the claim, on the ground that, as it was a Re Pettit case, her annuity was not £153 less tax, but was £100 plus the tax she would have to pay thereon (which, she having no other income, was £100 plus nil). The House of Lords, by a majority, decided that she was entitled to the repayment she claimed.

Several solutions were debated in the House. First, it was suggested that as her annuity was £100 plus nil the trustees should have paid her £65 with a certificate entitling her to recover £35 from the Revenue. This view was recommended by Lord Simonds, but was rejected by the majority as it disregarded the terms of the will, whereby the trustees were obliged to pay her £100 and no less. Secondly, it was suggested that as she had actually suffered no diminution of income by reason of the deduction of tax by the trustees, she was not entitled to claim any repayment at all; this view was favoured by Lord Russell, but was not accepted by the majority, as it ignored the fact that a deduction of tax had actually been made by the trustees. Thirdly, the annuitant's own claim, which rested on the assumption that her gross income was £153, was not entirely satisfactory, because in so far as she would be obliged to return to the trustees any tax she recovered, her real income was not £153, but £100.

The decision of the majority went on the footing that in order to enable the trustees to pay her £100, she had had to submit to a temporary tax liability of £53; this tax had been paid or suffered by the trustees on her behalf, and she was entitled under Section 29 of the I.T.A., 1918 (which governs repayment claims), to repayment as a person who has "paid tax by deduction," notwithstanding that she could not keep the tax repaid. It will be noticed that this is not the same basis as that on which she made her claim; she claimed repayment on a gross income of £153, but the House of Lords decided on the basis that her income was £100, and no question of a "gross income" arose; it was accordingly observed by two Law Lords that she might have claimed the full amount of tax deducted, i.e., £53. It is unfortunate that this did not fall to be expressly decided, but it appears that in similar cases claims can in the future be made on the footing that the annuitant's income is the net sum. One thing, however, which is quite clear, is that in such cases trustees are right in paying the net sum and giving a certificate showing that tax at the full standard rate has been deducted; they are not concerned with the rate of tax appropriate to the annuitant, but it is for the annuitant to claim repayment and hand back the sum repaid to the trustees.

It will be borne in mind that the decision has no application to cases not governed by *Re Pettit*, i.e., those where the annuitant can keep any tax repaid. Also, a further point which was not decided was the taxability of the sum repaid by the Revenue and handed back to the trustees; in most cases it will become part of the income of a residuary legatee, but the question whether or not it would be liable to tax was not decided,

and was, in fact, referred to by Lord Simonds as an "apparently insoluble problem."

Surtax—Bequest of share of profits of a firm—Legatee unable to recover sum due from firm—Whether sum not recovered to be included in total income.

In C.I.R. v. Lebus and others (K.B.D., July 23, 1945, T.R. 237), the executors of a Mrs. Lebus resisted an asses ment to surtax made upon her, on the ground that a sum representing her share in the profits of a certain business was wrongly included in the assessment. A manufac-turer who died in 1907 had left one-fourth share in the goodwill of his business to trustees on trust to pay the one-fourth share of profits received in respect thereof to Mrs. Lebus for her life. For the year in question this share amounted to £31,689, but the firm was unable to pay it, owing to various reorganisations, and Mrs. Lebus, although she had pressed for payment, had not proceeded to extremities. The Crown contended that the sum was rightly included in the assessment, relying on the contention that the will made the firm trustees of the one-fourth share for Mrs. Lebus, in which case the money due would be her income whether immediately paid out to her or not. The Court, however, refused to regard the firm as trustees of the share of profits, but held that they were merely debtors in respect of it, and consequently as Mrs. Lebus was (through her trustees) merely in the position of a creditor who had been unable to recover her debt, she was not assessable in respect of it.

Income Tax and N.D.C.—Deduction from profits—Payment to retiring director to ensure non-competition—Capital.

In Associated Portland Cement Manufacturers v. Kerr (K.B.D., July 27, 1945, T.R. 285), the appellant company entered into agreements with two retiring directors, where-

by the company paid them £20,000 and £10,000 respectively in consideration of their covenanting not to carry on or be engaged in the manufacture of any cement in any part of the world. The company claimed that these sums should be deducted in computing the profits of their trade, but the Court, upholding the decision of the Special Commissioners, disallowed the deductions on the ground that the payments were capital expenditure.

Debates as to whether expenditure is attributable to capital or revenue for income tax purposes usually start with the test laid down in Atherton v. British Insulated and Helsby Cables (10 T.C. 165), where it was stated that when an expenditure is made with a view to bringing into existence an asset or advantage of enduring benefit to the trade, there is good reason (in the absence of special circumstances) for treating it as attributable to capital. But the question is largely one of fact, and the line is hard to draw. It has been held, on the one hand, that a payment to get rid of a director whose presence embarrasses the carrying on of the trade can be attributed to revenue (W. B. Noble, Ltd., v. Mitchell, 11 T.C. 372); similarly, payments for legal expenses in defending title to real property have been attributed to revenue (Southern v. Borax Consolidated, Ltd., 23 T.C. 597). On the other hand, a payment by a member of a trade pool toward the purchase price of the business of another member, which was purchased to prevent its being sold to a non-member, was capital (Collins v. Joseph Adamson and Co., 21 T.C. 400). In each of these three cases, as in the present case, the payment was made to relieve the trade or some capital asset thereof from a potential or threatened embarrassment, yet when it came to be decided whether it was a capital or revenue payment, the results were different. The present case, therefore, can only safely be accepted as a guide in cases where the circumstances are similar.

Accountants and the Control of Engagement Order

The Control of Engagement Order, 1945 (S.R. & O. 1945, No. 579) provided that, with certain exceptions, men aged over 18 and under 51 and women aged 18 and under 41 may only be offered or take up employment through a local office of the Ministry of Labour and National Service. The restriction does not apply to employment in a managerial capacity, or—except in certain categories of engineering, pharmacy, nursing, etc.—to employment in a professional, administrative or executive capacity.

The Order does not affect the obligations of any person in relation to the Essential Works Order or a Direction under Regulation 58A (1) (direction to civilian employment) or Regulation 58AAA (Civil Service).

We understand that in the opinion of the Ministry of Labour and National Service an accountant who has been employed in a practising accountant's office is entitled to leave this employment on complying with the conditions of his contract of service. If he was born in 1915 or later he would remain liable to be called up for military service or to be directed to employment by the Ministry.

Subject to this reservation a member of the Society hitherto engaged in a practising accountant's office would be able to set up in practice on his own account, to join a firm of practising accountants as a partner, or to enter the employment of another firm (practising accountants or otherwise) in a managerial, professional, administrative or executive capacity.

An authoritative definition of the words used can only be given by the Courts. In the view of the Ministry, a manager is a salaried official in executive charge of a

department, works, contract or office.

Persons not having a professional qualification are not normally regarded as being employed in a professional capacity; but it does not follow that all qualified persons are so employed. Employment in an administrative or executive capacity may be held to exist if the person concerned is required to take decisions, to organise or to develop ideas on his own initiative, even though within a clearly defined policy or directive. Thus most if not all senior audit assistants would probably be regarded as employed in an executive capacity and therefore excepted from the Order.

Book-keepers, accounting clerks and junior audit clerks would not normally be regarded as employed in an executive capacity and consequently would be within the scope of the restrictions.

BOOKS RECEIVED

The Accounts of Executors, Administrators and Trustees. By W. B. Phillips, F.C.A. Ninth edition. (Sir Isaac Pitman & Sons, Ltd., London. Price 6s. net.) Palmer's Examination Note Book for Accountancy and Secretarial Students. By Alfred Palmer, A.S.A.A. Fourth edition. (Gee & Co. (Publishers), Ltd., London. Price 12s. 6d. net.

Incorporated Accountants in Manchester

The Incorporated Accountants' Society of Manchester held a dinner on October 12. The President, Mr. Frank Harrop, took the chair, and the guests included Mr. Fred Woolley, President of the Society of Incorporated Accountants, the Lord Mayor of Manchester, and the Mayors of Salford, Stockport and Oldham.

The chairman, proposing the toast of "The City and Trade of Manchester and District," expressed the hope that traders would not be hampered by too much Government control, and that the home market would have its share of goods produced. What Manchester business men did in the past their descendants would do equally well to-day. Industry needed a reduction in taxation, and repeal or modification of excess profits tax. He hoped that the purchase tax also would disappear.

The Lord Mayor of Manchester, in reply, spoke of the great influence of the accountancy profession in the advice and guidance given to manufacturers, retailers, wholesalers and exporters. He was confident that Manchester would continue to retain its great place in the world

Mr. W. L. Jones, J.P., Vice-President of the Manchester Chamber of Commerce, proposed "The Society of Incorporated Accountants." He said it would not be easy to convince the man in the street that he must limit his requirements for the benefit of the export trade, but exports were far more important than the home trade. Foreigners were hungry for our goods, and we had not yet made even a small start in supplying them.

Mr. Jones congratulated the Society on attaining its diamond jubilee. It was important that the accountancy bodies should unite in their approaches to the Government on the many serious problems of the future. He wished to pay a tribute to the late Mr. Henry Morgan, a past President of the Society, whose work as President of the Association of British Chambers of Commerce had proved the value of an accountant's outlook in discussions with the Chancellor of the Exchequer. The investing public had reason to be grateful to the Incorporated Accountants' Research Committee for its recommendations on the design of accounts, which he hoped would soon meet with widespread acceptance by limited companies. He congratulated Mr. Woolley, their President, who would in a few days receive the Freedom of the County Borough of Southampton in recognition of his distinguished services to that important port.

Mr. Fred Woolley, J.P., President of the Society of Incorporated Accountants, responded. He was very glad that his first attendance at a public function since total victory was in the city of Manchester, of which he had happy recollections from his early years of training in the profession. He took a far from pessimistic view of the future, but hard work would be required. Man-power was an essential need in industry and commerce and in the profession of accountancy. The recent statement of the Minister of Labour was welcome, but there was still a feeling that too many men in the Forces were doing unessential work while they were badly needed at home.

The Society had already prepared schemes to help its 1,200 members who had served with H.M. Forces. They were being invited to refresher courses, where, during their programme of studies, he and his colleagues would welcome them on their return to the profession. The Society had been fortunate in receiving promises of co-operation from Colleges at Oxford and Cambridge. By the kindness of the Warden and Fellows, the first

course would be held at New College, Oxford, in December. In addition they would have the co-operation of the District Societies in helping both members and students whose training had been interrupted by their service to the country.

A notable achievement during the war was the report of the Committee on Company Law Amendment, under the able chairmanship of Mr. Justice Cohen. The Society and the other principal accountancy bodies had the privilege of submitting evidence to that Committee. Many of the recommendations for more informative accounts had already the sanction of widespread practice as a result of the common sense of directors and of the work of the accountancy profession. He would also mention the progressive policy of the Stock Exchanges and the helpful criticisms and assistance of the financial press, though he would not say that press criticism had never avoided excess of zeal. The Cohen Committee recognised the great value of private companies, which were more than twelve times as numerous as public companies and represented one-third of the paidup capital of all joint stock companies.

Referring to the remarks of Mr. Jones on the need for unity between the leading accountancy bodies, Mr. Woolley was glad to say there was a substantial measure of co-operation, which they hoped would in due time bring about something of a more definite character on the lines of co-ordination of the profession.

He was indebted for the renewal of activity on the part of the Manchester District Society and for their resumption of responsibility for an examination centre. The work of Mr. Joseph Turner was greatly valued by his colleagues on the Council, and they appreciated the support of Mr. Harrop and Mr. C. Yates Lloyd, the President and Honorary Secretary of the District Society.

Mr. J. D. Hamer, F.S.A.A., Vice-President of the Manchester Society, proposed the toast of "Our Guests." Responses were made by Mr. R. J. Walker, President of the Manchester Law Society, and Mr. W. M. Mactaggart, H.M. Inspector of Taxes.

Scottish Notes

Aid for War Debtors

Under the Liabilities (War-time Adjustment) (Scotland) Act, 1945, the Secretary of State for Scotland has appointed the following members of the Society to act on the Panels of the undernoted Sherifidoms:—

Lanark: Mr. R. T. Dunlop, F.S.A.A., Mr. P. G. S. Ritchie, F.S.A.A., Mr. Robert Fraser, F.S.A.A., and Mr. James A. Mowat, F.S.A.A., Glasgow.

Lothians and Peebles: Mr. Duncan R. Matheson, LL.B., F.S.A.A., and Mr. W. A. Scott, F.S.A.A., Edinburgh.

Perth and Angus: Mr. W. B. Seivewright, F.S.A.A., Perth.

Stirling, Dumbarton and Clackmannan: Mr. Festus Moffat, F.S.A.A., Falkirk.

Renfrew and Bute: Mr. James M. Roxburgh, F.S.A.A., Port-Glasgow, and Mr. James H. Paterson, F.S.A.A., Greenock and Rothesay.

FINANCE

The Month in the City

The Budget and the Markets

Mr. Dalton's Interim Budget was well received in the City, where it had not been expected that a Labour Chancellor would make so rapid a contribution to the restoration of industrial incentive. The general view had been that E.P.T. would either be cut to 80 per cent. or be replaced by a percentage tax on profits at a much higher rate than the present N.D.C. The fact that the cut to 60 per cent. was unaccompanied by any new impost was therefore a pleasant surprise, and the immediate result was a sharp rise in the shares of companies which stand to benefit particularly from the tax remission and which can reasonably be relied upon to maintain their trading profits under peace-time conditions. At the same time the less favourable factors were not overlooked, even if they were temporarily submerged. It is felt that E.P.T. at 60 per cent. may ultimately be replaced by some other tax which would provide the Exchequer with a comparable return and be of a more permanent character. In the meantime it is noted that the Chancellor expects industry's increased earnings to be employed on the modernisation of plant and equipment, and not distributed in dividends. This requirement may be taken more seriously than the dividend limitation earlier suggested by the late Sir Kingsley Wood, but whether the additional earnings are distributed or retained they must ultimately strengthen the position of equity holders. Finally, the fact that the yield of E.P.T. was estimated by the Chancellor as likely to be so much lower under peace-time conditions re-emphasised the danger that industrial profits will fall during the transition period.

British Government securities found as much encouragement as equities in Mr. Dalton's statement. His promise to consider the possibility of lower medium and long-term interest rates was expected after the decision made a few days earlier to reduce short-term rates. It served, together with the abolition of minimum prices, to give a further stimulus to this section of the market, and the day after the Budget Consols 21 per cent. rose to 90 %, the highest price for ten years. The reduction in short-term rates had already initiated the advance, since it was expected that the change would act as a deterrent on liquidity in the case of both the public and the banks. Normally the connection between short- and long-term rates is not very close, but under present circumstances, when the public's willingness to invest on long-term should increase in any event, the lowering of bank deposit rates should accelerate the tendency. At the same time the banks may also find it necessary to offset the lower earnings on their liquid assets by employing more of their resources in the purchase of long-term

securities.

Bank Stock

Holders of Bank of England stock, on which a dividend of 12 per cent. has been paid for the past 21 years, will continue to receive the same income for the next 21 years. Thereafter their stock will be callable at the Government's option. This, from the investment point of view, is the gist of the Bank Bill, which provides that stockholders shall receive £400 of 3 per cent. stock, 1966 or after, for each £100 of Bank stock now held. These terms are very much what was expected and most stockholders will regard them as reasonable. There can be no rational complaint that stockholders have not been allowed their share in the Bank's accumulation of undistributed profits. It may not be relevant to point out that the Bank's profits have been derived from the monopoly conferred on it by the State, for with this

monopoly established by law and custom its fruits must be included among legitimate investment expectations. But it can be claimed that the hypothetical "equity" residing in Bank stock has long ceased to form of investment calculations. It was not expected that the dividend on Bank stock could ever be raised in the future, and its final establishment on a fixedinterest basis seems therefore to be entirely justifiable. By virtue of its semi-gilt-edged status Bank stock has in the past tended to behave in much the same way as undated British Government securities. Local Loans 3 per cent. is the stock most nearly comparable to the new 3 per cent. issue, but a price of 974 for Local Loans compares with 99½ for the new issue, as indicated by a price of 398 for Bank stock. This moderate premium on Bank stock is justified by the fact that the issue for which it will be exchanged cannot be redeemed until 1966, whereas Local Loans could not rise above par without inviting redemption.

"Nationalisation" Shares

The market repercussions of the Bank Bill have been most noticeable in those groups whose nationalisation may be undertaken at some time in the future. Railway, colliery and public utility stocks have all derived some encouragement from the terms of the Government's first essay in transferring property from private to public ownership. This response is understandable, but not perhaps entirely rational. The Bank of England is very much of a special case, and although its nationalisation is being conducted on terms which show that the Government intends to be fair to existing proprietors, it will be much easier for disagreements as to what constitutes " fair compensation " to arise in other instances. The formula for compensation in the case of nationalised industries is said to be "reasonable net maintainable revenue" multiplied by a given number of years' purchase. The magnitude of both these factors remains unknown, and in the case of coal, for example, it is now suggested that the figure of compensation will be assessed on a global basis and the allocation between different classes of stockholder left to the companies concerned. It is difficult to see how it could be otherwise; from the Government's point of view there will be quite enough complications without descending to the details of distribution. For the investor, however, there may be a world of difference between the various possible methods. The relative position of preference and ordinary shareholders, for instance, remains very uncertain. If it is not to be a case of securities simply being taken over on the basis of market price, but of companies being put into possession of funds for distribution or otherwise, it remains to be seen whether preference shareholders will be entitled to more than what they would ordinarily get in the event of liquidation. Considerations of this sort introduce a further element of uncertainty into the position of preference shares standing above par, while for ordinary shareholders the compensation formula is too vague to suggest that they will necessarily do as well as Bank stockholders.

City of London College

A special course of six lectures on "Taxation Practice" is being given at the City of London College, Electra House, Moorgate, E.C.2, by Mr. Alan P. Hughes, A.C.A. The lectures deal with the requirements of the Finance Acts, 1939-45, with special reference to excess profits tax. They are being held on Tuesdays at 6 p.m. The course started on October 23.

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Points from Published Accounts

United Dairies

The improvement in the method of presenting the United Dairies accounts is easily the month's most interesting feature, for curiosity about gross earnings had inevitably been whetted by the frank acknowledgment that during the war years receipts from the subsidiaries had been restricted to an amount sufficient to pay 121 per cent. regularly on the parent company's ordinary shares. From a consolidated profit and loss account relating to the subsidiaries, it is now possible to see that these companies added £170,799 to their carry-forwards from 1944-45 profits. Of this £170,571 is attributable to the parent company's holdings in the subsidiaries, and that amount is equal to 131 per cent. on the parent's equity capital. The usual dividend on this class is thus shown to be covered twice over. That is something gained. So is the information that the subsidiaries carry goodwill as an asset of £2,461,445, this comparing, with reserves of £1,879,150. In addition, £565,199 was paid by the parent for the shares of the subsidiaries, in excess of book cost. Allowing for these two factors, the true net reserves of the parent, after setting off intangible assets, are only £258,921, as compared with a total share capitalisation of £5,714,000. However, the statement of fixed assets, showing, inter alia, that the parent has written off accumulated depreciation of £1,078,592, from freeholds costing £3,189,081, and that the subsidiaries have similarly reduced a cost figure of £861,446 for freeholds to £623,841 through depreciation write-offs, suggests that the book value of assets is conservative. It is, however, a deficiency that no depreciation record is given in stating plant, machinery and so on at £1,011,670. It is a great pity, too, that the consolidated profit and loss account of the subsidiaries shows the net profit of these companies after the parent company's charges for management, depreciation, rents, interest, taxation and provision for deferred repairs, with no hint of the sums absorbed by these items. Since the management charges, rents and interest must be payable mainly, if not exclusively, to the parent, which holds the bulk of the group's properties, this profit figure has only limited value. It is true that in the parent's own accounts provisions for taxation are shown at £582,913; but this figure is not an indication of group tax liability, and it makes no distinction between E.P.T. and income tax. The general effect of the statement is to emphasise the superiority of combined group accounts over separate accounts for a parent company on the one hand and its subsidiaries on the other.

Gestetner

It so happens that the past month has also produced a most interesting statement from Gestetner. Apart from one blemish—nowhere is the rate of the interim dividend stated—these are model accounts. The fixed assets are split into seven separate entries, with parallel columns showing the cost, the depreciation written off to date, and the balance remaining as book value in each case. There is, moreover, an instructive memorandum explaining the individual entries in the accounts. This reveals that the cost figure of the fixed assets is the 1922 acquisition price, and it goes on to say that the company has always adopted an extremely conservative policy with regard to the capitalisation of assets, and that the present-day values are many times in excess of the written-down figures. Proof, this, if proof be needed, that even the most detailed statement of fixed

asset values must leave a great deal to the knowledge and perspicacity of the individual shareholder. Valuable features of the explanatory notes are that these explain, fully and carefully, the basis upon which provision has been made for tax liability, and that a careful distinction is drawn between "provision for taxation," representing income tax and E.P.T. liability accrued to date, and the "reserve for future income tax liability on profits to date." In anticipation of statutory effect being given to the Cohen Report, a consolidated profit and loss account carries a note giving the names of the subsidiaries concerned and the dates and lengths of their last financial period. The memorandum explains that adjustment of the dates of the subsidiaries' yearends with that of the parent's was considered impracticable in view of the taxation problems involved. volunteers the information that at the present time there are no problems involved in the conversion of the currency figures of the subsidiaries into sterling as the rates have been practically constant for a number of years. And it mentions that in addition to the subsidiaries whose figures have been consolidated, there were a number of companies trading in Europe which would fall within the extended definition of a subsidiary recommended by the Cohen Committee, but that no accounts have been received from these companies since the countries in which they operated were occupied by the enemy. To place shareholders further in their debt, the directors offer a workmanlike exposition of the significance of the item "net balance on intercompany accounts due to consolidation of balance-sheets at different dates," an item whose meaning is admittedly not self-evident to the layman.

Lever Brothers and Unilever

Since Mr. Geoffrey Heyworth, the chairman of Lever Brothers and Unilever, was a member of the Cohen Committee, it is not surprising that the company's accounts should be informative and well prepared. The profit statement starts off with an aggregate profit for the group, determined after charging Dominion, Colonial and foreign taxation, and the report intimates that this figure of £15,862,451 does not include any material profits or losses of an exceptional nature. Exceptional items of revenue are, in fact, shown separately; and after aggregating them with the trading surplus, the statement goes on to deduct depreciation, debenture interest, taxation and other charges. From the aggregate net profit of £10,016,979 thus left available is deducted the proportion of £1,342,042 attributable to the interests of outside shareholders in the subsidiaries. balance of £8,674,937 remaining, only £6,682,216 is brought into the holding company's accounts, the other £1,992,721 being clearly shown as "the company's proportion of the increase to the undistributed profits, less losses, of subsidiary and allied companies." The problem of giving group information in detail and reconciling it with the contents of the parent's profit statement has here been solved most successfully. A consolidated balance sheet underlines the importance of the Unilever example, for the group has total assets of £122,001,236, of which, incidentally, over £29 million is in cash and other quick resources. When a company with such wide interests can do the job so well, the argument that consolidation may in some instances present insurmountable difficulties need not be treated too gravely.

The Emergency Acts and Orders

In our November, 1939, issue we published the first instalment of a comprehensive guide to the war-time enactments and Orders which most concern the accountant. The fifty-ninth instalment is given below. The summaries are not intended to be exhaustive, but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

ORDERS

EXCESS PROFITS TAX

No. 997. Relief from Double Excess Profits Tax (Trinidad and Tobago) Declaration, 1945.

1005. Relief from Double Excess Profits Tax (Seychelles) Declaration, 1945.

Where the same profits are subject to E.P.T. in the United Kingdom and in the colony of Trinidad and Tobago or the Colony of Seychelles, relief is to be given so that the total tax paid is equal to the higher of the two rates.

(See Accountancy, May, 1945, page 161.)

EXPORTS

No. 1146. Export of Goods (Control) (No. 7) Order, 1945. Previous Export Control Orders are revoked. The new Order reduces substantially the list of goods requiring export licences.

(See Accountancy, September, 1945, page 253.)

FINANCE

No. 957. Regulation of Payments (Denmark and Greenland) Order, 1945.

No. 984. Regulation of Payments (Finland) Order, 1945. No. 1120. Regulation of Payments (Dutch Monetary Area) Order, 1945.

Payment for exports to the territories covered by these Orders must be in sterling from an account of a person

resident in the territory concerned, or (except in the case of Finland) in the currency of that territory. (See Accountancy, September, 1945, page 253.)

MANUFACTURE AND SUPPLY

No. 1176. Miscellaneous Goods (Prohibition of Manufacture and Supply) (No. 7) Order, 1945.

The existing restrictions are continued, with some amendments operative from October 1, 1945. (See Accountancy, May, 1945, page 161.)

TRADING WITH THE ENEMY

Nos. 936, 1156. Trading with the Enemy (Specified Persons) (Amendment) Orders, 1945, Nos. 9, 10. Amendments are made in the list of persons with whom dealings are forbidden.

Nos. 1030, 1031, 1032 (Finland). Nos. 1077, 1078, 1079 (Greece). Nos. 1098, 1099, 1100 (Italy).

Nos. 1117, 1118, 1119 (Netherlands).

Trading with the Enemy Orders:—Authorisation; Transfer of Negotiable Instruments, etc.; Custodian.

Restrictions imposed under the Trading with the

Enemy Act are removed in respect of the countries named in the headings.

Nos. 1165, 1198. General Licences.

Communication in writing is permitted with any person in Siam or Hungary.

(See Accountancy, September, 1945, page 253.)

WAR RISKS INSURANCE

No. 738. Defence (War Risks Insurance) Regulations, 1945.

The Board of Trade may make payments from the commodity insurance fund in respect of loss or damage from King's enemy risks occurring after May 7, 1945, although policies have not been issued since that date.

(See Accountancy, May, 1945, page 161.)

Society of Incorporated Accountants

COUNCIL MEETING

THURSDAY, OCTOBER 25, 1945 Present: Mr. Fred Woolley, J.P. (President) in the chair, Sir Frederick J. Alban, C.B.E. (Vice-President), Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Allison Davies, C.B.E., Mr. M. J. Faulks, M.A., Mr. C. A. G. Hewson, Mr. Walter Holman, Sir Thomas Keens, D. J. M. Berten, Volcan Mr. Brand, A. Britan, M. R. Brand, M. Berten, Volcan Mr. Brand, M. Brand, M D.L., Mr. Bertram Nelson, Mr. Fred A. Prior, Mr. Percy Toothill, Mr. Joseph Turner, Mr. Richard A. Witty, and Mr. A. A. Garrett (Secretary).

Apologies for non-attendance were received from Mr. A. Stuart Allen, Mr. C. Percy Barrowcliff, Mr. Robert Bell, Mr. E. Cassleton Elliott, Mr. A. B. Griffiths, Mr. Alexander Hannah, Mr. James Paterson, Mr. T. Harold Platts, Mr. Joseph Stephenson, Mr. A. H. Walkey, and Mr. R. E. Yeabsley, C.B.E.

Incorporated Accountants' Hall

The Council received a report from Mr. Percy Thomas, P.R.I.B.A., Mr. Charles Woodward, A.R.I.B.A., and Mr. G. F. H. Waghorn, Chartered Surveyor. Plans were considered, and the Council decided on a policy of complete restoration of Incorporated Accountants' Hall, with the elevation as far as possible in its original form. RESIGNATIONS

The Examination and Membership Committee reported that the following resignations had been accepted with regret, as from December 31, 1944 :-

Pearson, Ernest Arthur (Associate), Hale, Cheshire. Sherlock, Harold Herbert (Associate), Melbourne. Sleightholme, Oscar Henry Stanley (Associate), Norwich. Wainhouse, Tom Wilkinson (Associate), Leeds.

DEATHS
The Secretary reported the death of each of the following members :-

Baker, Henry Edwin, J.P. (Fellow), London.
Fraser, James Simpson (Fellow), Glasgow.
Gayford, Dudley John (Associate), Seaton.
Holmes, John Tillotson Luther (Associate), Colwyn Bay.
Morgan, Ernest Cornelius (Fellow), Newtown, N. Wales.
Morris, Sydney Grave, C.C. (Fellow), London.
Terry, Lewis (Associate), Shipley.
Thomas, William Edward (Associate), Cardiff.
White, William (Associate), Liverpool.
Wynn, John Robert Irvin (Associate), Durban (on active service).

DISTRICT SOCIETIES AND BRANCHES

A luncheon was held on October 18. The Lord Mayor of Sheffield, Councillor G. E. Marlow, J.P., was the principal guest. The President of the Sheffield Society, Mr. A. F. J. Girling, F.S.A.A., who occupied the chair, expressed the thanks of the members for the services rendered to the City of Sheffield by the Lord Mayor, and for his interest in the Society.

of Shement by the Lord Mayor, in reply, said it gave him particular pleasure to be present, and to pay his tribute for the work done and the services rendered by the accountancy profession. The scope of their services was ever increasing, and one of the greatest helps they could give to industry was in the field of costing. He referred to the present rate of high taxation,

and expressed the hope that the excess profits tax would be reviewed, and that some relief should be given from the present high rate of taxation with its drain on commerce. In planning for the future, the long-term policy of training junior members of the staff to enable them to become qualified accountants would never be regretted. He was convinced that by that assistance, young men would come forward to play their part in furthering the high standards of the profession and in giving increased service to the business community. Industrial production must be kept up by all those engaged in business, in whatever branch and whatever sphere. Accountants' knowledge of finance and commerce should be extracted to the profession of the profession and used to see that future conduct of business should be carried on strict lines, and to avoid undisciplined spending, so that commerce and industry would make sound progress in the

YORKSHIRE

At a Committee meeting held in September, the following officers were appointed for the year 1945-46: President, Mr. Arthur J. Naylor, F.S.A.A.; Vice-President, Mr. G. O. W. Pickard, F.S.A.A.; Honorary Treasurer, Mr. Thomas Hayes, F.S.A.A.; Honorary Secretary and Librarian, Mr. T. W. Dresser, F.S.A.A.

SCOTTISH BRANCH

A meeting of the Council of the Scottish Branch was held in Glasgow on October 12. Mr. Robert T. Dunlop, F.S.A.A., presided over a large attendance.

The Council learned with regret the death of Mr. James Simpson Fraser, F.S.A.A., Glasgow, one of the oldest members of the Scottish Institute of Accountants, the Scottish branch of the Society.

The Secretary, Mr. James Paterson, reported the results of the July/August examinations in which two Scottish Final candidates passed. An unusually large number of enquiries was reported from Scottish candidates and students serving with H.M. Forces, at home and abroad, with reference to sitting the examinations on demobilisation.

INCORPORATED ACCOUNTANTS' LODGE

The Installation Meeting was held at the Freemasons' Hall, Great Queen Street, London, W.C.2, on October 23. W. Bro. R. M. Simpson was installed in the Chair and the following R. M. Simpson was installed in the Chair and the following officers were appointed: W. Bro. H. A. R. J. Wilson, I.P.M.; Bro. G. Gallimore, S.W.; Bro. D. F. Goode, J.W.; W. Bro. A. V. Huson, L.G.R., Treasurer; W. Bro. W. J. Crafter, L.G.R., Secretary; W. Bro. A. S. Darr, D.C.; Bro. R. J. Parker, S.D.; Bro. A. V. Hussey, J.D.; W. Bro. A. Anderson, A.D.C.; W. Bro. C. A. Holliday, Almoner; Bro. W. C. Stevens, I.G.; Bro. A. E. Forrest, W. Bro. R. N. Barnett, Bro. D. Mahony, Bro. W. H. C. Wayte, Stewards.

There was a large attendance of members and visitors.

There was a large attendance of members and visitors, including W. Bro. F. H. A. Oldacre, W.M. of Chartered Accountants' Lodge.

PERSONAL NOTES

Flight Lieutenant J. C. Allen, A.S.A.A., who is serving with the R.A.F. in the Middle East, was awarded a Mention

in Despatches in the New Year's Honours List, 1945.

Messrs. Victor W. Sayer & Co., Incorporated Accountants, have admitted Mr. William Thomas Watson, A.S.A.A., into

partnership. The practice is being continued under the same name from 391, Ewell Road, Tolworth, Surrey, and 1, Mardale Drive, Kingsbury, London, N.W.

Messrs. A. France & Co., Incorporated Accountants, West Bar Chambers, Boar Lane, Leeds, have taken Mr. Mark Webster, A.S.A.A., into partnership. The practice will be continued at the same address and under the same name as heretofore.

REMOVALS

Messrs. John Asbridge & Son, Incorporated Accountants, have removed their offices to 13, Bridge Street, Pinner.

Messrs. Brinley Bowen Mills & Co., Incorporated Accountants, announce a change of address to 58, Mansel Street, Swansea. They also advise that Mr. Leslie M. Anthony, A.S.A.A., has been admitted into partnership.

Messrs. G. W. Wheeler & Co., formerly of 2/4, Tudor Street, are now practising at 11, Ludgate Hill, London, E.C.4.

OBITUARY

EMANUEL VAN DIEN

The late Emanuel van Dien, to whose outstanding work for accountancy we refer in a professional note, was a leading figure in the profession in Holland and was well known among practising accountants throughout the world. His death occurred in Holland on March 24, 1943, in his 78th year. Although he died from natural causes, his death was undoubtedly hastened by the unhappy circumstances when prevailed and in which he was living during the German prevailed and in which he was living during the German occupation.

occupation.

Mr. van Dien, having made himself acquainted with the organisation of the accountancy profession in Great Britain, was one of the first men in the Netherlands to commence public practice as an accountant. It was in 1893 that he established himself in amsterdam. In 1915 he was joined in partnership by Mr. C. van Uden, and the firm, whosel practice is now being continued by Mr. van Uden and the other partners, practised in Amsterdam and at several other places in Holland as Messrs. van Dien, van Uden & Co.

The Netherlands Institute of Accountants was founded in 1895, and Mr. van Dien was an original member. Some

1895, and Mr. van Dien was an original member. Some differences having arisen on questions of policy, a number of leading members established the Nederlandsche Accountants

Vereeniging, and Mr. van Dien was president for several years, but in 1919 the two bodies were merged.

The first Accountants' Congress of an international character was held at St. Louis, U.S.A., in 1904, on the invitation of the Federation of Societies of Public Accountants in the United States of America. Mr. van Dien was a delegate to that Congress—the only representative from the Continent of Europe—and among the other visitors were the late Mr. Francis W. Pixley, F.C.A., the late Sir James Martin, F.S.A.A., and the late Mr. A. F. C. Ross, F.C.A. (Canada), F.S.A.A.

F.S.A.A.

In 1925, informal exchanges of view initiated in Holland under the influence of Mr. van Dien, led to the promotion, under his Presidency, of the International Congress held in Amsterdam in 1926. With assiduity and tact Mr. van Dien overcame many difficulties, and the Congress, which was acclaimed a great success. Delegation of the congress of the congress of the congress. admirably organised, was acclaimed a great success. Delegations from the British bodies of accountants attended and were led respectively by Sir Arthur Whinney, K.B.E., F.C.A., Mr. (now Sir) Thomas Keens, F.S.A.A., Mr. S. E. W. Macpherson, C.A., and Mr. A. H. Muir, F.C.A. (Ireland). Other international congresses followed and Mr. van Dien attended those held in New York in 1929, of which he was an Honorary President, and in London in 1933. His paper York on the Accountancy Profession in Europe was the first of a symposium of authoritative information on this question. In recognition of his services, the Society of Incorporated Accountants took the exceptional step of electing him an honorary member.

Mr. van Dien also rendered public service in Holland and served as a member of the Municipal Council of Amsterdam. On the completion of forty years in public practice in 1933 he received from the Dutch Government the honour of the Order of Orange Nassau.

In addition to his professional and public activities, Mr. van Dien was a charming host and a good conversationalist, and had a wide appreciation of art and music.

His friends in the profession in this country extend to Mr. van Dien's family and to his partners their heartfelt sympathy.

ERNEST CORNELIUS MORGAN

The death occurred on October 11, 1945, of Mr. Ernest C.
Morgan, F.S.A.A., senior partner of the firm of E. C. Morgan
and Son, Incorporated Accountants, 18, Market Street,
Newtown, Montgomeryshire. Mr. Morgan was 75 years of
age and had been a member of the Society since 1905.

In addition to the duties of the practice he had held

age and had been a member of the Society since 1905.

In addition to the duties of the practice, he had held several secretaryships, including that of the Montgomery County Infirmary. Owing to ill health, he retired from that position in August, 1944, having held office for a period of 52 years. In recognition of his services on behalf of voluntary hospitals during the 1914-1918 war, he was elected an honorary life member of the British Red Cross Society. He

Nursing Association since its inception in 1909.

He was one of the pioneers of bowling in Mid-Wales, and had captained the Mid-Wales team against New Zealand. He was an ardent Freemason and had held Provincial honours.